

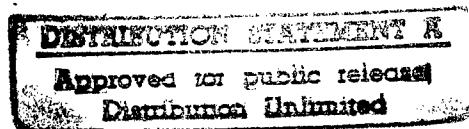


FOREIGN  
BROADCAST  
INFORMATION  
SERVICE

# ***JPRS Report— Supplement***

# **East Europe**

## ***Recent Legislation***



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# East Europe

## Recent Legislation

JPRS-EER-92-079-S

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23 June 1992

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**Decree on Structure, Activity of Government Commission for Controlling Sale of Military, Special Equipment**

92BA0532A Sofia DURZHAVEN VESTNIK  
in Bulgarian No 11, 7 Feb 92 pp 3-11

[“Text” of Council of Ministers decree on Acceptance of Regulations for the Structure and Activity of the Government Commission for Controlling the Conditions for Trading in Military and Special Products and of the Directive for Controlling the Conditions for Trading in Military and Special Products, issued by the Council of Ministers on 28 January 1992 and signed by Filip Dimitrov, chairman of the Council of Ministers, and Konstantin Mukhovski, chief secretary of the Council of Ministers]

[Text]

**COUNCIL OF MINISTERS  
DECREE NO. 18  
OF 28 JANUARY 1992**

**for acceptance of Regulations for the Structure and Activity of the Government Commission for Controlling the Conditions for Trading in Military and Special Products and of a Directive for Controlling the Conditions for Trading in Military and Special Products**

**COUNCIL OF MINISTERS DECREES:**

**Sole Article.** The acceptance of Regulations for the structure and activity of the Government Commission for Controlling the Conditions for Trading in Military and Special Products and the Directive for Controlling the Conditions for Trading in Military and Special Products.

**Final Edict**

**Sole paragraph.** This decree is issued on the basis of Article 6 of the Law for Standard Acts in connection with Articles 4 and 5 of Decree No. 115 of the Council of Ministers of 1991 for creating a Government Commission for regulating and controlling the conditions for manufacturing and trading in military and special products (DURZHAVEN VESTNIK No. 60, 1991).

**REGULATIONS**

**for the Structure and Activity of the Government Commission for Controlling the Conditions for Trading in Military and Special Products**

**First Chapter**

**GENERAL PROVISIONS**

**Article 1.** These regulations establish the basic tasks, the structure, and the organization of the activity of the Government Commission for controlling the conditions for trading in military and special products according to their general functions defined with Decree No. 115 of

the Council of Ministers of 1991 for creating a Government Commission for regulating and controlling the conditions for production and trade in military and special products (DURZHAVEN VESTNIK No. 60 of 1991).

**Article 2.** The Government Commission is an agency of the Council of Ministers for controlling the conditions of trading in military and special products.

**Second Chapter**

**BASIC TASKS**

**Article 3.** The Government Commission has the following basic tasks:

1. It participates in organizing, coordinating, and controlling the activity of the Intergovernmental Commission for military-economic and scientific-technical collaboration with other countries;
2. Together with the ministries and departments concerned, it prepares and submits to the Council of Ministers for confirmation plans for international agreements and treaties for military-economic collaboration and trade in military and special products;
3. It coordinates and monitors the fulfillment of the obligations assumed by our country according to signed agreements and protocols for military-economic and scientific-technical collaboration;
4. It determines the basic principles of license policy in the area of military and special production and monitors its implementation;
5. It establishes control over trading in military and special products;
6. It issues general annual licenses for carrying out foreign trade activity in military and special products;
7. It approves and issues licenses for individual transactions for import, export, reexport, and other specific foreign trade operations in military and special products;
8. It registers and keeps the accounts for the transactions in military and special products;
9. It monitors and controls the implementation of the market and price policy of the trade in military and special products.

**Third Chapter**

**STRUCTURE OF THE GOVERNMENT COMMISSION**

**Article 4.** (1) The Government Commission has the following structure: president, secretary, and members.

(2) The Secretariat performs the technical aspects of the activity of the Government Commission.

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(3) The experts and technical workers in the Secretariat are included in the general population of the personnel of the Ministry of Defense.

**Article 5. The president:**

1. Presides over the commission;
2. Directs the work of the commission;
3. Puts forward materials, points of view, reports, and proposals for consideration, prepared by the commission, for consideration by the government;
4. Signs the decisions of the commission for approving or rejecting trade in military and special products;
5. Concludes contracts with collaborators and experts.

**Article 6. The secretary:**

1. Fulfils the functions of the president in his absence;
2. Directs the activity of the Secretariat;
3. Organizes the work in the preparation of the meetings of the commission;
4. Coordinates the implementation of the decisions made by the commission.

**Article 7.** (1) The composition of the Government Commission includes representatives of the interested ministries and other departments. The list of names of its members is confirmed by the Council of Ministers. (2) The members of the Government Commission may introduce viewpoints and opinions of the ministries and the other departments they represent.

**Article 8. The Secretariat:**

1. Coordinates the work of the commissions and directs its documentation;
2. Provides the commission with the information necessary for its work;
3. Obtains, analyzes, summarizes, and presents positions on proposals that come in;
4. Keeps track of the decisions made at the meetings and coordinates and monitors their implementation.

**Fourth Chapter****ORGANIZATION OF THE ACTIVITY**

**Article 9.** (1) The Government Commission assembles for meetings at least twice monthly in order to make decisions.

(2) The meetings of the commission are held according to the decision of the president on the basis of a decision made at a previous meeting.

(3) The agenda for the meetings is prepared ahead of time and is sent by the Secretariat to the members of the commission five days before the date of the meeting.

(4) The commission makes decisions with an ordinary majority.

**Article 10.** The commission may accept programs connected with the establishment of its basic functions and tasks.

**Article 11.** The commission may contract for the services of nonstaff experts, expert groups, and temporary working groups to solve specific problems and determines the leadership of the groups and the way to finance them.

**Article 12.** The government budget finances the activity of the Secretariat through the Ministry of Defense.

**Article 13.** (1) Government fees are paid for issuing a license for trading in special property, as well as for making decisions about carrying out foreign trade transactions and so forth.

(2) The amount of the fees cited in Paragraph 1 is determined by the Council of Ministers.

**FINAL EDICT**

**Sole paragraph.** The regulations are issued on the basis of Decree No. 115 of 1991 and goes into effect upon publication in DURZHAVEN VESTNIK.

**DIRECTIVE**

**for controlling the conditions for trading in military and special property**

**Section I****General Provisions**

**Article 1.** This directive regulates the control over trading in goods, technologies, and licenses relating to:

1. Armaments, military equipment, and ammunition;
2. Military technology property and spare parts;
3. Repairs to military products;
4. Materials, raw materials, and systems and facilities for producing military and special products;
5. Transfer of technologies in the area of the defense industry;
6. Explosives, weapons, and ammunition under the control of the Ministry of Internal Affairs.

**Article 2.** The Directive applies to the trading activity of legal persons in the areas enumerated in Article 1 with respect to:

1. Import, export, and reexport, carried out on, from, and through the territory of the Republic of Bulgaria;

2. Transient exchange of goods;
3. Trading in free trade zones on the territory of the Republic of Bulgaria.

## Section II

### General License for Trading in Military and Special Equipment

**Article 3.** Trade activity in military and special products may be carried out only by firms that have obtained licenses for this activity from the Government Commission.

**Article 4.** A company that is a candidate for obtaining a license from the Government Commission is obliged to present the following documents to the Secretariat of the Government Commission, hereinafter called "the Secretariat":

1. A standard application to the Government Commission;
2. A license to be recorded in the trade register;
3. A document from the Ministry of Internal Affairs that states that the company has created conditions for trading in military and special property in accordance with the demands of the Law for Controlling Explosives, Weapons, and Ammunition;
4. A list of the people who will be directly involved in this activity, accompanied by biographical and personnel references, a certificate showing no previous conviction, and a signature specimen;
5. A document indicating that the fee has been paid.

**Article 5.** The licenses issued for trading in military and special products are valid for one year from the date of issue. A new application must be submitted in order to obtain an extension of the period.

**Article 6.** To obtain a license, the companies pay government fees in an amount determined by the Council of Ministers. The companies also pay fees for each foreign trade transaction.

**Article 7.** The Secretariat registers the applications for licenses for trading in military and special products, and monitors their proper formulation and completion with documents in accordance with the demands of the Directive and submits proposals for agreement to the Government Commission.

**Article 8.** In the case of significant infringements of the laws of the country and of international agreements, the Government Commission may withdraw the license from the company at anytime. The fees paid are not subject to refund. A new application for a license is permitted no earlier than one year from its withdrawal.

## Section III

### License for Individual Trade Transactions

**Article 9.** Trade transactions in goods, technologies, and licenses in accordance with Articles 1 and 2 are

completed only after their licensing by the Government Commission.

**Article 10.** The procedure for granting licenses is carried out through the Secretariat of the commission.

**Article 11.** When the request for an import and export license and the documents accompanying it are in agreement with the requirements indicated in Sections IV and V, the Secretariat of the Government Commission sends the documents to the commission for inspection.

**Article 12.** The procedure for issuing a license also applies in the case of multiple implementation of already permitted individual transactions within the calendar year for which the original license is granted.

## Section IV

### Control over the Import of Goods, Services, and Technologies (Import License)

**Article 13.** The import of goods, services, and technologies subject to international regulation and control is carried out on the basis of a standard import license (Appendix No. 1) in two sets in Bulgarian and English—four copies each in each set.

**Article 14.** An import license (a set in the English language) is submitted to the foreign partner in the import upon the request of his country, but not later than six months from the date of issue, after which it is considered to be invalid.

**Article 15.** The license (Appendix No. 1) confirms that the competent Bulgarian authorities exercise control over the importation and the subsequent use of the goods, services, and technologies by the consumer in the Republic of Bulgaria.

**Article 16.** The license issued may be used only by the company for which it has been issued. Ceding the license or rights to it to a third party renders the license invalid.

**Article 17.** The import license granted by the commission is considered to be a valid import license by the Bulgarian Government agencies that monitor imports within the range of their competence—the Ministry of Finance, the Main Administration of Customs, and the Ministry of Internal Affairs.

**Article 18.** (1) Conversely, the importer must insist on the licensing of his trading partner, if, in the process of implementing the foreign trade transaction, there are changes in the conditions of the transaction indicated in the license.

(2) A new license may be issued according to the regular procedure upon the presentation of additional documentation relating to the changed conditions in the transaction.

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**Article 19.** (1) The import license is issued in accordance with the petition of the importer through the Secretariat.

(2) The importer submits to the Secretariat the completed forms (Appendix No. 1), which include a declaration from the ultimate consumer and purchaser that the imported article or technology will be used only under the conditions and for the reason indicated in the documents presented.

(3) The Secretariat records the submitted application, accompanied by the completed license, in a special journal.

(4) The four copies of the approved license are distributed as follows: one copy for the Secretariat, one copy for the Main Administration of Customs—Sofia, and two copies for the importer.

(5) The decision of the Government Commission to issue or refuse an import license is reported to the applicant up to 30 days from the date of submission of the application: The fee paid is not subject to refund.

**Article 20.** The import license is completed by countersignature of the customs authorities and a copy of the bill of entry, completed in accordance with the recommendations in Appendix No. 2 and in the import license.

**Article 21.** Persons guilty of using imported articles or technologies for a reason and a purpose that are in contradiction to the legislation in effect and the signed declaration are liable to the penalties of the Criminal Code.

**Section V****Control Over the Export of Goods, Services, and Technologies (Export License)**

**Article 22.** The export of goods, services, and technologies, subject to internal and international regulation and control, is carried out on the basis of a standard export license (Appendix No. 3).

**Article 23.** The application for an export license is presented to the Secretariat accompanied by the following documents:

1. Export license in four copies (Appendix No. 3);
2. A copy of a certificate for the ultimate consumer, issued by the competent authorities of the contracting country; the original of the certificate for the ultimate consumer, obtained upon completing the certificate, is part of the company documentation and is kept by the company;
3. After completion of the transaction, the commission may request a certificate confirming the acceptance of the goods—the subject of the export, under the control of the customs or other competent authorities in the country of the ultimate consumer.

4. Technical specification—in the cases of transfer of technologies;

5. In the case of export of articles produced in the Republic of Bulgaria under license or technologies subject to limitations for export to third countries, the company has to present a license from a license issuer;

6. When a foreign contracting agent is a foreign company, a license for the right to trade in weapons, issued by a competent authority of the corresponding company, is presented.

**Article 24.** The exporter is obliged to include in the foreign trade treaty a clause that ensures that a declaration and other guarantees are obtained from the foreign buyer, that reexport to third countries without written agreement of the exporter is not permitted.

**Article 25.** (1) The Secretariat informs the applicant up to 30 days from the date of submission of the application relative to the decision of the Government Commission for issuing or denying a license.

(2) The license issued may be used only by the company in whose name it is issued. Ceding the license or rights to it to a third party renders the authorization invalid.

(3) The export license that concludes a treaty is valid for six months from the date of issue, but not more than the period of the annual license. The delivery dates for the transaction are indicated in the export license.

**Article 26.** (1) The Secretariat records the application submitted, accompanied by a completed license, in a special journal.

(2) The four copies of the approved license are distributed as follows: one copy for the Secretariat, one copy for the Main Administration of Customs—Sofia, and two copies for the importer.

(3) The export license is presented by the exporter to the corresponding customhouse at the same time as the export declaration is completed according to the instructions in Appendix No. 4. The customs finalization of the export is confirmed with the countersignature of a copy of the export declaration by the customs authorities.

**Article 27.** A reexport license (Appendix No. 5) is issued according to the procedure for issuing an export license.

**Section VI****Denial or Repeal of License**

**Article 28.** (1) The issuing of an import, export, or reexport license may be denied or repealed if:

1. The request for issuing a license is not in accordance with the legislation in effect in the Republic of Bulgaria;
2. The granting of a license is not in agreement with the obligations of the Republic of Bulgaria, accepted in

international treaties or resulting from its membership in international organizations;

3. The sales of articles or technologies violate the national security interests of the Republic of Bulgaria;

4. The applicant has presented false data;

5. The activity does not coincide with the permitted use.

(2) The rejection or the repeal of import, export, or reexport licenses and other foreign trade transactions are reported to the company up to 30 days from the date of submission of the application or the date of recognizing the facts and circumstances according to Paragraph 1, items 3, 4, and 5.

(3) In the cases of repeal, the Government Commission promptly informs the trader about its decision through the secretariat.

## Section VII

### Submission of Information

**Article 29.** In the case of requesting a license for technological exchange, dealing with the delivery of weapons, materials, and articles for introduction of technology into the Republic of Bulgaria, the participants in the transaction (the company and the ultimate consumer) are obliged to present technical specifications and documentation as indicated by the Government Commission, including data relating to circumstances connected with the use of the technology.

**Article 30. The company is obliged:**

1. To submit information about the people, its officials, who are involved in the transaction;

2. To keep records of the transaction as long as the articles and the technologies are subject to licensing.

**Article 31.** (1) If the imported article or technology is not used, or is not used as intended, or its use is terminated, the ultimate consumer in the Republic of Bulgaria is obliged to inform the Government Commission through its Secretariat.

(2) The documents issued by the Secretariat are attached to the license.

**Article 32.** The information sent to the Government Commission and the Secretariat, necessary for issuing the corresponding licenses, represents a trade secret and is not subject to dissemination or presentation for the use of Bulgarian or foreign physical or legal persons. They are obliged to maintain the company interests of the counties involved in the transactions.

**Article 33.** The information concerning the import, export, and reexport of military and special products and technology represents a government secret and moves along confidential channels.

**Article 34.** The import and export declarations for military articles and technologies (Appendices No. 2 and 4) are marked with codes agreed upon and used by the Ministry of Finance—Main Administration for Customs, the Ministry of Internal Affairs, and the Ministry of Defense of the Territory of the Republic of Bulgaria, indicating the countries and the type of property.

**Article 35.** The licenses presented to the customhouse, which monitors the exports or imports in accordance with Sections IV and V, are sent to the Main Administration for Customs—Sofia by an authorized person of the company/country concerned with the transaction, within a seven-day period after its customs finalization.

## Section VIII

### Verification by Authorities

**Article 36.** The Government Commission exercises direct control with respect to the observance of the Directive. It has the right to inspect the fulfillment of the obligations the Directive imposes on the company and the ultimate consumer in the Republic of Bulgaria, as well as the obligations imposed by internal legislation and by international agreements relating to foreign trade and trade in military and special products.

**Article 37.** The Government Commission has the right to call upon authorized specialists from other countries in accordance with obligations accepted by the Republic of Bulgaria in international agreements for carrying out the monitoring procedure.

**Article 38.** (1) In the cases of licensing in accordance with Article 1, the Government Commission performs verification and makes recommendations concerning the possibility or the manner of utilization of the articles or technology or for their destruction.

(2) In the cases mentioned in Paragraph 1, a protocol is put together, on the basis of which the Secretariat issues a certificate for 30 days for utilization or destruction.

**Article 39.** The Ministry of Transportation, the customs authorities, and the Ministry of Internal Affairs monitor the transit of special products through the territory of the Republic of Bulgaria.

## Transitional and Final Edicts

1. This Directive is issued on the basis of Decree No. 115 of the Council of Ministers of 1991.

2. According to the sense of this Directive:

1. Military products include: armament, military equipment, missiles, ammunition, and spare parts for them;

2. Special products include: sets, materials, technologies, equipment, and scientific and scientific-technical products and services intended for production, operation, and repair of military products, as well as any material products and articles that are under the control of the Ministry of Internal Affairs.

**3. This Directive goes into effect upon its publication in DURZHAVEN VESTNIK.**

**Appendix No. 1 to Articles 13 and 15  
and Article 19, Paragraph 2**

**Confidential (after completion)**

**Import License for Military and Special Products, Technology, and Services, Subject to Control According to Council of Ministers Decree No. 115 of 1991**

**Registration No.....**

**1. Date of submission**

**2. Importing company**

**3. Purchaser: name, address, registration**

**4. Ultimate consumer: name, address, registration in the Republic of Bulgaria**

**5. Designation of the property**

**6. Dimensions**

**7. Quantity**

**8. Origin of the commodity...../Import from company, country.....**

**9. Value...../Precisely...../Currency of the payment.....**

**10. Fee paid**

**11. Type of transport**

**12. Delivery time**

**13. License of the Government Commission**

**Reg.No...../Date...../Signature.....**

**14. By these presents we certify that the imported articles and technologies, including the ultimate product from the introduction of the technologies, are being utilized in compliance with the legislation of the Republic of Bulgaria and subject to control of the competent government agencies.**

**(Name and position of the declarer, ultimate consumer in the Republic of Bulgaria; signature and stamp of the company)**

**Head of the company:.....**

**15. Continuation of Column Nos. 5, 6, 7, and 8**

**16. Import information**

**17. Serial number from Column No. 5**

**18. Total quantity**

**19. Imported quantity**

**21. Imported quantity**

**22. Imported quantity**

**23. Imported quantity**

**24. Imported quantity**

**25. Imported quantity**

**26. Imported quantity**

**27. Imported quantity**

**28. Means of transportation**

**29. Customs station**

**30. Signature and stamp of the customs official/  
Date:.....**

**31. Value**

**Continuation of Column Nos. 5, 6, 7, and 8**

**Information for the Shipping Offices**

**17. Serial number from Column No. 5**

**18. Total quantity**

**19. Shipped quantity**

**21. Shipped quantity**

**22. Shipped quantity**

**23. Shipped quantity**

**24. Shipped quantity**

**25. Shipped quantity**

**26. Shipped quantity**

**27. Shipped quantity**

**28. Means of transportation**

**29. Customs station**

**30. Signature and stamp of customs official/  
Date:.....**

**31. Value**

**Continuation of Column Nos. 5, 6, 7, and 8**

**Information for the Shipping Offices**

**17. Serial number from Column No. 5**

**18. Total quantity**

**19. Imported quantity**

**21. Shipped quantity**

**22. Imported quantity**

**23. Shipped quantity**

**24. Imported quantity**

25. Shipped quantity	Registration No.....
26. Imported quantity	
27. Shipped quantity	
28. Means of transportation	
29. Customs station	
30. Signature and stamp of the customs official/ Date:.....	
31. Value	

**Appendix No. 2 to Articles 20 and 34**

**Instructions for Customs Finalization of the Import of Military and Special Products, Technologies, and Services, Subject to Control According to Council of Ministers Decree No. 115 of 1991**

Box Nos. 1, 3, 5, 6, 8, 14, 19, 20, 21, 22, 23, 25, 27, 28, 29, 30, 32, 36, 37, 42, 46, 47, 48, 50, 54, B, B.1, and B.2 are to be filled in according to Instruction No. 2 of the Ministry of Finance on the procedure for filling out the customs declaration and for keeping statistical accounts for the import and export of goods (DURZHAVEN VESTNIK No. 43 of 1991).

Box No. 11—Contains the code of the country, on the territory of which the foreign company is located (irrespective of its national allegiance). The code is taken from the list of the countries, the special articles and activities with respect to the export, import, and reexport carried out by Bulgarian legal and physical persons, to which the Council of Ministers has granted the right to trade in special property and agreed upon and used by the Ministry of Finance—Customs Administration, the Ministry of Internal Affairs, and the Ministry of Defense of the territory of the Republic of Bulgaria, in accordance with Section VI of the directive.

Box Nos. 15, 33, 34—Record the corresponding codes taken from the indicated list.

Box No. 31—Number of parcels of technical property.

Box Nos. 2 and 44—Are not filled in. The data are indicated in explicit form in the import certificate.

Box C.2—Record the number and the date of the import license from the Government Commission.

The following documents are presented for customs finalization for import: customs declaration, filled out according to Appendix No. 2; import license.

**Appendix No. 3 to Article 22  
and Article 23, Item 1**

Confidential (after completion)

**Export License for Military and Special Products, Technologies, and Services, Subject to Control According to Council of Ministers Decree No. 115 of 1991**

1. Date of submission
2. Importing company
3. Purchaser: name, address, registration
4. Ultimate consumer: name, address, registration
5. Designation of property
6. Dimensions
7. Quantity
8. Origin of the commodity...../Import from company, country.....
9. Value...../Precisely...../Currency of the payment.....
10. Fee paid
11. Type of transport
12. Delivery date
13. License of the Government Commission  
Reg.No...../Date...../Signature.....
14. By these presents we certify that the buyer has made a written agreement to prohibit the reexport of the property that is the subject of the present license to third parties different from the country of the ultimate consumer.

(Name and position of the declarer; signature)

Head of the Company:.....

**Appendix No. 4 to Article 26, Paragraph 3  
and Article 34**

**Instructions for Customs Finalization of Importation of Military and Special Products, Technologies, and Services Subject to Control According to Council of Ministers Decree No. 115 of 1991**

Box Nos. 1, 2, 3, 5, 6, 14, 19, 20, 21, 22, 28, 29, 30, 32, 35, 37, 38, 42, 46, 47, 50, 53, 54, B (B.1 and B.2—in the case of transactions based on C) C, C.1, and C.2 are filled in according to Instruction No. 2 of the Ministry of Finance dealing with filling out the customs declaration and keeping statistical accounts for imports and exports of goods (DURZHAVEN VESTNIK No. 43 of 1991).

Box No. 11—Records the code of the country on the territory of which the foreign company is located (irrespective of its national allegiance). The code is taken from the list of the countries, special articles, and activities relating to export, import, and reexport carried out by Bulgarian legal and physical persons, to which the Council of Ministers has granted the right to trade in special property; the code is agreed upon and used by the Ministry of Finance—Customs Administration, the

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**JPRS-EER-92-079-S**  
**23 June 1992**

Ministry of Internal Affairs, and the Ministry of Defense in the territory of the Republic of Bulgaria, according to Section VI of the Directive.

Box No. 17—Records only the code of the receiving country. The code is taken from the above-mentioned list.

Box No. 31—Number of packages of technical property. When the commodity is shipped in a container, the number of the container is recorded in the right-hand part of the box.

Box No. 33—Records the code of the commodity, taken from the above-mentioned list.

Box Nos. 8 and 44 are not filled in. The data are indicated in explicit form in the export license.

Box No. C.2—Record the number and date of the Government Commission export license.

The following documents are presented for customs finalization: customs declaration, filled out according to Appendix No. 4; export license.

**Appendix No. 5 to Article 27**

Confidential (after completion)

**Reexport License for Military and Special Products Subject to Control According to Council of Ministers Decree No. 115 of 1991**

Registration No.....

1. Date of submission
2. Importing company
3. Purchaser: name, address, registration
4. Ultimate consumer: name, address, registration
5. Name of the property
6. Dimensions
7. Quantity
8. Origin of the commodity...../Import from company, country.....
9. Value...../Precisely...../Currency of the payment.....
10. Fee paid
11. Type of transport
12. Delivery date
13. License of the Government Commission  
Reg.No...../Date...../Signature.....
14. By these presents we certify that the purchaser has signed a written agreement to forbid the reexport of the

property that is the subject of this license to third countries different from the country of the ultimate consumer.

(Name and position of the declarer; signature)

Head of the Company:.....

**Regulation on Handling of Nuclear Materials**

*92BA0522A Sofia DURZHAVEN VESTNIK in Bulgarian No 8, 28 Jan 92 pp 6-15*

[“Text” of Regulation No. 7, dated 7 January 1992, on Collecting, Preserving, Processing, Storing, Transporting, and Burying Radioactive Waste on the Territory of the Republic of Bulgaria, issued by the Committee for the Utilization of Nuclear Energy for Peaceful Purposes and signed by Chairman Ya. Yanev]

[Text]

**Regulation No. 7  
dated 7 January  
on Collecting, Preserving, Processing, Storing,  
Transporting, and Burying Radioactive Waste  
on the Territory of  
the Republic of Bulgaria**

**Chapter 1**

**General Stipulations**

**Article 1.** The present regulation regulates the conditions and procedures for gathering, preserving, processing, storing, transporting, and burying radioactive waste (RAO) by organizations that generate RAO, located on the territory of the Republic of Bulgaria.

**Article 2.** The present regulation does not apply to spent nuclear fuel and waste from its processing.

**Article 3.** Organizations generating RAO, nuclear power plants (ATs), the burial site of RAO (PPRAO), and the permanent storage area (PKh) draft their internal regulations governing the radiation safety of the personnel and the handling of RAO, which must be coordinated with the Committee for the Utilization of Nuclear Power for Peaceful Purposes (KIAEMTs).

**Article 4.** (1) All activities in the sense of the present regulation must be consistent with radiation safety standards.

(2) It is forbidden to introduce and transport through the territory of the Republic of Bulgaria RAO generated outside the Republic of Bulgaria.

**Article 5.** State and specialized nuclear and radiation safety controls in the gathering, preserving, processing, storing, transporting, and burying of RAO are applied in accordance with Article 20 of the Law on the Utilization of Nuclear Power for Peaceful Purposes (ZIAEMTs) and Articles 19, 20, and 21 of the regulation governing its application.

**Chapter 2**  
**Managing Work With RAO**  
**Section I**  
**General Stipulations**

**Article 6.** The collection, preservation, processing, storing, and burying of RAO are based on the following requirements:

1. Interconnection among the gathering, preserving, processing, storing, and burying of the RAO with confirmed annual balance sheets and full RAO accountability;
2. Separate gathering of ordinary and RAO;
3. Separate gathering of RAO according to its type;
4. Use of processing technologies aimed at reducing the amount of resulting RAO and obtaining RAO with properties that make it suitable for burial;
5. Preventing the dispersal of radionuclides in the environment by using the barrier properties of treated RAO, and packaging and burying equipment.

**Article 7.** (1) RAO waste is collected, preserved, stored, transported, and buried in industrial packaging or packaging of the A or B type, depending on its nature.

(2) The structure and testing of RAO packaging are determined in accordance with applicable standardization documents.

(3) The marking, labeling, and inscriptions on such packaging and transportation containers are based on the applicable standardization documents.

**Article 8.** (1) The handling of RAO is done by regular personnel of the respective organization, the ATs, the PPRAO, or the PKh.

(2) A logbook based on a specific model (Appendix 1) is kept for the handling of RAO.

(3) A logbook based on a specific model (Appendices 2 and 3) is kept by the ATs, the PPRAO, and the PKh.

(4) Periodically, but no less than annually, the treatment of RAO will be checked by a commission appointed by the heads of organizations, the ATs, PPRAO, and the PKh.

**Article 9.** (1) Organizations and ATs that request permission to use nuclear energy must also present proof of the quantity and type of resulting RAO.

(2) Such proof must include data on the RAO resulting from the treatment.

(3) In requesting such permission, the organizations must also submit proof of concluded contracts with the PPRAO. A contract with the PPRAO must settle reciprocal obligations as per the present regulation. It must indicate the amount and type of RAO that will be

delivered (accepted) and a schedule of deadlines for the delivery and acceptance, payments, and fines.

**Article 10.** The planning, designing, technological, operational, and other documents of the ATs, the PPRAO, or the PKh must contain instructions on treatment and management operations with RAO.

**Section II**

**Categorization of RAO**

**Article 11.** Waste that is formed in the organizations and the ATs shall be considered radioactive if the limits stipulated in Articles 12 and 13 are exceeded.

**Article 12.** Liquid waste will be considered radioactive if the content of radionuclides in it exceeds the admissible specific activity for category B water, as indicated in radiation safety standards.

**Article 13.** Solid waste will be considered radioactive if:

1. The equivalent dose of gamma radiation at a distance of 0.1 meters from the surface of the waste exceeds 1  $\mu\text{Sv}/\text{h}$ ;
2. The specific beta activity exceeds  $7.10^4 \text{ Bq/kg}$ ;
3. The specific alpha activity exceeds  $7.10^3 \text{ Bq/kg}$ ;
4. The specific gamma activeness exceeds  $50 \text{ fGr.m}^2 (\text{s.kg}) (1.10^{-7} \text{ g.eq. radium/kg})$ .

**Article 14.** (1) Liquid RAO, based on its specific activity, is rated in three categories:

1. Low activity—less than  $3.7 \times 10^5 \text{ Bq/l}$ ;
2. Medium activity—from  $3.7 \times 10^5 \text{ Bq/l}$  to  $3.7 \times 10^{10} \text{ Bq/l}$ ;
3. High activity—in excess of  $3.7 \times 10^{10} \text{ Bq/l}$ .

(2) Solid RAO is rated in three categories, based on the strength of the equivalent dose of gamma radiation at a distance of 0.1 meters from its surface and the value of its specific alpha and beta activity (Appendix 4).

**Chapter 3**  
**Collecting and Preserving RAO**  
**Section I**

**Collecting and Preserving RAO  
in Organizations Without ATs**

**Article 15.** RAO obtained by organizations other than ATs includes solutions, products, materials, biological items, spent sources of ionizing radiation, and waste with activity in excess of the levels indicated in Articles 12 and 13.

**Article 16.** The collection of RAO by organizations is done directly at the site where it is generated. A record is

kept of its origin, physical condition, time of half-life of the radionuclides it contains, and its toxicity, explosion or fire hazard, and activity.

**Article 17.** Solid and liquid RAO that contain radionuclides with 15-day half-lives must be retained until their activity has been reduced to below the levels listed in Articles 12 and 13, after which they are disposed of as non-RAO.

**Article 18.** Releasing any type of RAO in the sewer system, water reservoirs, and the soil (the environment), including liquid RAO after dilution, is forbidden.

**Article 19.** An organization in which more than 200 liters of liquid RAO are generated daily, with specific activity exceeding radiation safety standards for category B water by a factor of 10, must have a special sewage system equipped with treatment facilities.

**Article 20.** Biological RAO (carcasses and parts of experimental animals, and so forth) must be stored in refrigerated premises or be subjected to full biological controls.

**Article 21.** (1) The collection and transportation of liquid RAO to its place of storage is done in special packaging or in tank trucks.

(2) The collection of solid RAO and its transportation to a preservation site is done in containers or plastic packaging designed in accordance with regulatory documents.

**Article 22.** (1) Liquid RAO subject to treatment in a PPRAO must be neutralized by the organizations down to the pH = 7 level.

(2) The carcasses of animals in whose organisms radionuclides were introduced must first be preserved biologically with a 5-percent solution of Lysol or a 10-percent solution of formaldehyde by introducing into the abdominal cavity and other areas cotton or gauze soaked in those solutions. Other biological RAO must be preserved by keeping it in a formaldehyde solution for a period of 40 days.

(3) In collecting the carcasses of animals after their preservation, wood shavings or any other moisture-absorbing substances that do not contain halogenic substances must be spread on the corpses.

(4) Biological waste preserved in a formaldehyde solution must be treated with plaster in plastic packaging by the organizations.

(5) Before being delivered to a PPRAO, highly combustible or explosive RAO must be made explosion- or fire-safe by the organizations.

**Article 23.** (1) Packages containing RAO must be kept in special sites designated for that purpose or in separate premises.

(2) Premises where RAO is kept or preserved must meet the following requirements:

1. If possible, they must be separate buildings or isolated premises in the lower part of a building, be waterproof, and be closed to outsiders;

2. The facing, equipment, heating, and ventilation must meet the requirements for handling each respective category of radiation safety standards;

3. They must have preventive installations.

(3) RAO packages must be stored on pallets with sides or half-pallets designed in accordance with the pertinent standardization documents.

**Article 24.** The transportation of RAO packages to the organization site must be mechanized.

**Article 25.** The RAO packages at transportation facilities must be deactivated in special premises or special places in the premises that meet the requirements for handling radioactive substances of the respective class, based on radiation safety standards.

**Article 26.** Instructions governing the collection, preservation, and transportation of RAO to the site of the organizations and its delivery for burial must include the following:

1. Organization for the collection of RAO;
2. Record-keeping and storage regulations procedures;
3. Sequence and itinerary for its transportation to the organization;
4. Prerequisites for aging RAO and eliminating the resulting inactive waste;
5. Procedure for preparing the RAO prior to its delivery to the PPRAO;
6. Organization of deactivation work;
7. Organization for radiation control and fire safety measures;
8. Organization of activities in case of accident.

## Section II

### *Collecting and Preserving RAO in ATs*

**Article 27.** All RAO generated in ATs must be collected and preserved on the territory of the power plant.

**Article 28.** The liquid RAO of ATs contains the following: the pulp of spent sorbents, suspensions with particles not bigger than 4  $\mu\text{m}$ , a saline concentrate (cubic residue) obtained after the evaporation of the various liquid water-based RAO, and others.

**Article 29.** The solid RAO from ATs include the following: disassembled equipment, pipes, and armature of

the systems operating in a radioactive environment; polluted instruments and control-measurement instruments; spent sources; aerosol filters from ventilation systems; heat insulation and scrubbing materials; metal bits; used individual safety measures not subject to deactivation; construction and economic waste; and so forth.

**Article 30.** Unbalanced waters are discarded in accordance with the Regulation on Indicators and Standards for Determining the Quality of Running Surface Waters (DURZHAVEN VESTNIK No. 96, 1986), approved by the KIAEMTs [Committee for the Peaceful Utilization of Nuclear Energy], coordinated with the Ministry of Health (MZ) and the Ministry of the Environment (MOS) for the monthly and annual rates of released maximal activity.

**Article 31.** Effluent water from the health control station is subject to radiometric control and, on the basis of the results, is discarded in the industrial or residential sewer systems or treated.

**Article 32.** (1) ATs RAO is collected separately, on the basis of physical and chemical properties and further treatment methods.

(2) RAO containing ion-exchange resins and other sorbents is collected in separate containers.

(3) Liquid RAO in the form of water concentrates is collected separately from the spent oils and other combustible and flammable RAO.

**Article 33.** Liquid water-based RAO is collected in special stainless steel containers.

**Article 34.** Solid RAO is collected in special reusable or disposable packaging deposited in specified areas.

**Article 35.** Solid large-sized RAO, which cannot be cut up or treated in any other way, must be wrapped in an externally sealed cover or wrapped with another type of specially developed means.

**Article 36.** All loading and unloading operations with solid and liquid RAO must be mechanized, automated, with remote control, or by other means in accordance with radiation safety standards.

**Article 37.** (1) On ATs grounds, liquid RAO is transported in tank trucks only if its transportation by pipeline is impossible or technically or economically inexpedient.

(2) On ATs grounds, RAO is transported by means of motor vehicles and other mechanized conveyances.

#### Chapter 4

#### Treatment and Storage of RAO

**Article 38.** (1) The technology for the treatment of RAO is based on its physical and chemical properties, activity,

and radionuclide structure; economic factors; and other things.

(2) RAO is subject to treatment in special installations in accordance with the standardization documents.

**Article 39.** The treated RAO is rated in terms of the content of radionuclides and their activity, and their mechanical, microbiological, and radiation stability in cases of lengthy preservation. The rating is done by measuring the indicators stipulated in the standardization and other pertinent regulatory documents.

**Article 40.** The packaging of treated RAO must meet the requirements of corrosion and mechanical resistance under changing temperatures, as well as other requirements for the specific type of packaging.

**Article 41.** If the treated RAO cannot be buried immediately, it must have a temporary storage area.

**Article 42.** The preservation of treated RAO must be such as to prevent any change in its properties, which would prevent its burial.

**Article 43.** The treated RAO is kept in compartmentalized storage areas.

**Article 44.** The type and size of the temporary storage areas for treated RAO must be consistent with the length of preservation.

**Article 45.** (1) Warehouses for treated RAO must meet the requirements for seismic and hydrogeological conditions, random external influences, and other things, depending on the nature of the stored RAO.

(2) The power of the equivalent dose at a distance of 1 meter from their external wall in the open area must not exceed 28 muSv/h.

(3) The warehouses for treated RAO must be equipped with drainage facilities; the effluent waters must be collected in a drainage container.

(4) The warehouses must be insulated against water from precipitation and be inaccessible to floods.

(5) Drainage wells must be sunk around the warehouses.

(6) The warehouses must be ventilated by natural convection or ordinary or forced ventilation, depending on the nature of the stored waste.

(7) The warehouses must be fireproof, in accordance with the nature of the stored RAO.

**Article 46.** The warehousing equipment must have facilities for the extraction of RAO for outside testing and control; the observation, inspection, and radiation control of RAO must be made possible for the time it is kept in the warehouse and for repackaging (if necessary) and storage.

**Article 47.** (1) The person who delivers the waste must provide radiation control of RAO and fill out the forms containing data on the labeling, markings, and inscriptions; the number of packages of each specific type of waste; and the overall level of activity.

(2) The consistency between the documents as per Paragraph 1 and the delivered amounts must be mandatorily checked in the warehouse.

## Chapter 5

### Transportation of RAO Outside the Territory of Organizations and ATs

#### Section I

##### General Stipulations

**Article 48.** (1) The transportation of RAO outside the territory of organizations and ATs is accomplished with a specialized motor vehicle, or by rail or water as per the present regulation and the Regulation on the Transportation of Radioactive Substances (DURZHAVEN VESTNIK No. 53, 1976).

(2) RAO may not be transported by air.

**Article 49.** The PPRAO is responsible for the transportation of RAO to the PPRAO; the permanent storage area or the ATs is responsible for the transportation of RAO to the PKh.

**Article 50.** Organizations and ATs must provide advance information to the PPRAO or the PKh on the number of packages and the activity of transported substances; in addition, the ATs must also inform the PKh of the RAO treatment method used.

**Article 51.** The specialized automotive transportation vehicle must be separately registered and subject to annual technical examination by the control-technical stations of the KAT [Automotive Transportation Control] administration of the Ministry of Internal Affairs (MVR) at the location of the vehicle's registration.

**Article 52.** The owner of the specialized automotive transportation vehicle must issue a registration certificate (Appendix 5).

**Article 53.** The design of the specialized transport vehicles and transportation containers must be based on the standardization documents for the respective area.

**Article 54.** The markings, labeling, and signs on the specialized transportation vehicle and transportation containers must be placed by the vehicle owner.

#### Section II

##### RAO Transportation Procedures

**Article 55.** (1) RAO is transported in accordance with the present regulation and other documents pertaining to such activities.

(2) During the trip, no deviating from the schedule, staying in inhabited settlements, leaving the vehicle unsupervised, hauling RAO in addition to other materials or people, or being in the proximity of other vehicles hauling substances considered more combustible or subject to explosion is allowed.

**Article 56.** Every transportation vehicle must have an accident plan listing all the steps that must be taken should a transportation accident or a breakdown occur.

**Article 57.** RAO hauled in a column of trucks must be preceded by a motor transport vehicle (MPS), which will alert the other road users of possible danger on the road.

**Article 58.** (1) The specialized automotive transportation vehicle and the accompanying MPS must be equipped with instruments for radiation control and the means of individual protection and deactivation; fire-extinguishing facilities; tools for breakdown repairs; portable signs notifying of radiation danger; the means of fencing off the polluted sector in case of accident; signs indicating prohibition or warning of emergency stops; and sound and light signals.

(2) The accompanying MPS must be have radio-communication equipment.

**Article 59.** The schedule for the transportation of RAO is set by the owner of the transportation vehicle. It must be consistent with radiation safety requirements and take into consideration any eventual radiation or any other type of risk under normal or emergency conditions.

**Article 60.** If RAO are transported by motor vehicle over longer distances, the vehicle must have a relief driver.

**Article 61.** (1) The driver of the specialized automotive vehicle must have no fewer than three years of practical experience in driving a vehicle of the corresponding category; he must have been specially trained and instructed in radiation safety procedures and have been issued the proper certificate to this effect (Appendix 6).

(2) The driver of the specialized automotive vehicle must carry with him the following documents:

1. Permit for driving the respective category MPS and the MPS registration certificate;

2. Order issued by the MPS owner, cleared with the respective MVR KAT administration, indicating the schedule, if the material goes to a PPRAO, the MPS owner order, cleared with the MVR KAT and the Main Roads Administration, if hauled to the PKh;

3. Registration certificate of the automotive transportation vehicle;

4. Certificate for completed instruction in radiation safety;

5. Document proving the delivery and receipt of RAO (Appendix 7).

**Article 62.** Before each RAO transport, the level of radiation pollution of the transportation vehicle, the transportation containers, and the packaging must be checked. They must not exceed the accepted standards (Appendix 8).

**Article 63.** (1) The power of the equivalent dose at any point on the external surface of a transportation vehicle carrying RAO must not exceed 2 mSv/h; in the driver's cabin, it must not exceed 28 mSv/h.

(2) The level of the equivalent dose at any point on the external surface of the vehicle loaded with RAO must not exceed 2 mSv/h; at a distance of 1 meter from the surface, it must not exceed 0.1 mSv/h.

**Article 64.** During the transportation of RAO, the MPS driver or the dosimetric testing official is responsible for providing radiation control.

**Article 65.** If the specialized automotive vehicle or the accompanying MPS is damaged heavily enough for the driver to be unable to make the necessary repairs, he must immediately report that fact to the authorities of the respective territorial branch of the MVR and ask for assistance.

**Article 66.** (1) In the case of a traffic accident, the driver (drivers) and the accompanying person (persons) must act in accordance with the stipulations of the Law on Road Traffic and the regulations on its application, which require of them:

1. Not to allow outsiders access to the site of the accident;
2. If possible, to switch on the light indicators and the breakdown signal;
3. To place the portable warning and prohibition signs at a distance of 300 meters before and behind the vehicle;
4. To give first aid to victims, if there are any;
5. If necessary, to summon the fire-fighting authorities of the MVR.

(2) If a specialized automotive vehicle must stop because of damaged wrappings containing RAO and should cause a traffic hazard and could threaten the environment with pollution, the following steps must be taken:

1. The driver (drivers) and the accompanying individual (individuals) must put on their special clothing and individual means of protection;
2. They must fence the polluted sector and place the radiation danger markers;
3. They must take steps to localize the pollution caused by the accident;
4. They must switch on the light and accident signals;

5. The accident and the threat and consequences of the accident and the steps taken must be immediately reported to the respective authorities of the MVR and the vehicle owner. The vehicle owner must inform KIAEMTs, the MZ, and the MOS of the situation;

6. People or transportation vehicles must be prohibited from crossing the polluted area.

## Chapter 6

### Burial of RAO

**Article 67.** RAO is buried in special engineering installations close to or on the surface, or in natural or man-made cavities.

**Article 68.** (1) Solid or solidified RAO (processed by cementing, tarring, or any other technology) with low or medium beta- or gamma-specific activity, containing essentially beta- and gamma-radiating radionuclides, with a half-life not exceeding 30 years, including cesium-137, and an insignificant amount of alpha-active radionuclides, must be buried close to or on the surface of the ground.

(2) The specific, average alpha-activity of RAO for the entire system must not exceed 370 MBq/t; the maximum specific activity per package of solidified waste must not exceed 3.7 GBq/t.

(3) The maximum specific activity of radium-226 and thorium-232 per package of solidified waste must not exceed 3.7 MBq/t and 1.1 MBq/t for radium and thorium, respectively.

(4) The burial of solid RAO as per Article 68 is allowed only with a specific alpha activity of the waste in containers not exceeding 0.19 MBq/kg and a specific activity of radium-226 and thorium-232 not exceeding 0.037 MBq/kg.

(5) In exceptional cases, by permission of the KIAEMTs, solidified RAO with a specific alpha-activity ranging from 3.7 to 18.5 GBq/t may be buried.

**Article 69.** RAO is buried in accordance with the following requirements:

1. There must be no interaction between the RAO and surface water and groundwater;
2. The selected sites must have rock or mineral formations that prevent the spread of radionuclides in the environment;
3. Chemical compatibility must exist between the natural minerals (materials) and the materials of the installation, including the RAO contained in such installations;
4. There must be no valuable natural resources at the site.

**Article 70.** The sites where installations for the burying of RAO are located must be rated on the basis of technical and economic criteria, taking into consideration social consequences and hydrogeological, geological, and other factors, as well as factors related to protecting the health of the population and the environment, natural and cultural resources, transportation factors, and so forth.

**Article 71.** In designing engineering systems for burying RAO, their phases of useful life must be taken into consideration. This must include the period of exploitation during which they are filled with RAO and covered, the period of observation in the course of which the activity of the waste is reduced to levels that rate it as radioactive, and the period during which the territory is restored to its traditional use.

**Article 72.** Areas for sorting and processing RAO (for PPRAO) and for deactivation and radiometric, radiochemical, and other analyses, for the radiation safety service, administrative buildings, and so on, must be designated in PPRAO and PKh sites.

**Article 73.** (1) Spent radioactive sources must be buried in PPRAO after a cement or concrete solution has been poured on them, in special containers, at sites designated for the burial of solid RAO.

(2) The burial of spent radioactive sources is done in special standard storage wells in PPRAO.

**Article 74.** (1) Instructions for work with RAO in PPRAO and PKh contain the following:

1. The rights and obligations of the personnel;
2. The procedure for the preliminary investigation and the acceptance and transportation of the RAO, the conduct of deactivation operations, and the burial of the RAO;
3. The procedure for ensuring radiation safety during the various stages of work with RAO;
4. The organization and procedure for the supervision of sites in which radiation-safety or accident-repair operations are conducted;
5. The procedure for maintaining a health-hazard access system;
6. The organization of radiation control of the environment;
7. The procedure for RAO registration.

(2) The instructions concerning the site for the burial of RAO include the additional related activities in the treatment of RAO.

(3) The instructions for preventing or repairing breakdowns in PPRAO and PKh include the following:

1. Projections on possible accident situations and measures to prevent them;
2. The procedure for informing superior organizations and the authorities of the KIAEMTs, the MZ, and the MVR;
3. The steps to eliminate the consequences and to isolate the areas of radioactive pollution caused by an accident;
4. Instructions on the behavior of the personnel in case of accidents;
5. The organization of activities for giving medical assistance in cases of external and internal radiation incidents;
6. The procedure for repairing accidents and the steps for the protection of the personnel in carrying out the measures required for repairing the breakdown;
7. The responsibilities of the administration for the implementation of steps to prevent and repair accidents.

## Chapter 7

### Individual Protection and Radiation Control

**Article 75.** Individuals handling RAO must be equipped with the means of individual protection and work clothing, based on the type and class of work, consistent with radiation-safety standards.

**Article 76.** (1) The organization of radiation monitoring in working with RAO includes the following:

1. Sequence and means of monitoring;
2. Cadres and technical facilities;
3. Type of objects under observation;
4. Types of monitors;
5. Values and admissible deviations in monitors in the course of the work and in accidents;
6. Periodicity in taking indicator readings;
7. Individually monitored personnel.

(2) Radiation-safety control includes the following:

1. Technological radiation control;
2. Environmental radiation control;
3. Control of radioactive pollution caused by an accident;
4. Measuring of the individual dose of external radiation of the personnel, the content of radionuclides in the organism of the personnel, and the strength of the equivalent dose of gamma radiation in premises and on platforms.

**Article 77.** (1) Radiation control in work with RAO is done with standard radiation-safety services.

(2) The number, rights, and obligations of radiation-safety services must be approved by the head of the organization handling RAO.

(3) The radiation-safety service must:

1. Perform systematic control;

2. Ensure the reliable work of the radiation-control system, including the organization and activities to control the radiation situation;

3. Have the approval of the manager of the organization and coordinate with the state control authorities the safe utilization of nuclear energy and the specialized control authorities concerning the volume, nature, and periodicity of radiation control, and the recording and registration of the control results and the controlled parameters and their borderline values.

**Article 78.** Depending on the nature of activities with RAO, the following indicators must be checked at PPRAO, PKh, and ATs sites:

1. The power of the equivalent dose of gamma radiation;
2. The density of the beta particles flow;
3. The power of the equivalent dose of neutron radiation or the density of the neutron flow;
4. The specific activity of aerosols and the total activity of gasses in the work premises and in the atmosphere;
5. The activity of gasses and aerosols released in the air through the ventilation systems;
6. The specific activity of effluent waters;
7. The specific alpha and beta activity or the power of the equivalent dose of gamma and neutron radiation on the surface of solid or solidified RAO or on the surface of the packaging, based on the type of RAO;
8. The extent of pollution by alpha- and beta-active substances of the individual protective means, the skin, and the clothing of the personnel;
9. The external radiation dose;
10. The existence of radioactive substances in the organism of the personnel;

11. The radionuclide structure of gasses and aerosols in the air in the work premises, in the outside air, and in effluent waters, atmospheric deposits, the soil, the sub-soil stratum at the burial site, and ground and surface waters;

12. Surface pollution in work premises, equipment, transport facilities, and roads with alpha- and beta-active substances.

**Article 79.** (1) Stationary equipment with automatic sound-and-light-signaling systems must be installed in the work premises on the platforms of the PPRAO, the PKh, and ATs, where the strength of the equivalent dose may fluctuate within a wide range.

(2) The personnel are forbidden to remain in work premises without instruments for personal dosimetric control.

**Article 80.** Radiation control in storing and burying RAO must be automated.

**Article 81.** (1) The zone under observation surrounding the PPRAO and the PKh must be wider than the health-safety zone by a factor of 3 or 4 but no less than 5 kilometers along the segment of the radius from the center of the burying installation if RAO with activity not exceeding 3.7 TBq annually is buried near or on the surface. The dimensions of the protection and observation zone must be coordinated with the MZ authorities and approved at the planning stage, according to the Regulation on Issuing Permits for the Use of Nuclear Energy by the KIEMTs (DURZHAVEN VESTNIK No. 13, 1989).

(2) The following indicators must be controlled in the zone under observation surrounding the PPRAO and PKh:

1. The strength of the equivalent dose of gamma radiation;
2. The equivalent dose of beta and gamma radiation;
3. Specific activity of aerosols in the atmosphere, groundwater, and open water sources;
4. The surface density of radioactive pollution;
5. The radionuclide composition of the following: aerosols in the atmosphere, water in open water reservoirs, and groundwater; atmospheric deposits; soil; vegetation and silos, food products, and so forth.

**Article 82.** Radiation situation control in handling RAO in ATs, PPRAO, and PKh is determined at the planning stage. Radiation control of the environment requires a network of specially equipped observation stations.

**Article 83.** The results of radiation control must be recorded in a diary or in computers.

## Chapter 8

### Site Protection

**Article 84.** The protection of the sites where RAO is handled is based on the Regulation on Engineering-Technical Measures for Site Protection (DURZHAVEN VESTNIK No. 57, 1985).

**Article 85.** The managements of the organizations, ATs, PPRAO, and PKh are responsible for the safety of the projects handling RAO; such work is controlled by the MVR.

#### Additional and Concluding Stipulations

**Section 1.** The terms used in the present regulation are defined as follows:

1. "RAO" refers to substances, products, materials, and objects that, subsequently, for technical, economic, scientific, or other reasons can no longer be used and that, due to an increased content of radionuclides or the impossibility of eliminating surface radioactive pollution cannot be discarded in the environment. It does not include spent nuclear fuel;

2. "Work with RAO" means the sum of activities related to the safe gathering, preserving, processing, warehousing, transporting, and burying of RAO;

3. "Treating RAO" means changing the physical or chemical properties of RAO, which makes possible any subsequent work with it (warehousing, transporting, and burying);

4. "Preserving and storing RAO" means preserving RAO for the period between the implementation of individual activities in processing RAO and the time it is buried;

5. "Burying RAO" means preserving it in such a way as to guarantee its isolation from the environment until its activity drops below the point at which it is considered radioactive;

6. "Area for burying RAO (PPRAO)" is an installation for treating and burying RAO received from departments, establishments, scientific research laboratories, and so on, with the exception of ATs and which, for the sake of brevity, are referred to as "organizations," resulting from their work with radioactive substances and other sources of ionizing radiation;

7. "Permanent storage (PKh)" is an installation for burying RAO generated as a result of its use and extraction by ATs;

8. "Phases of the Service Life of PPRAO or PKh" are processes aimed at reliably achieving the goals for which they were established as sites for the burial of RAO;

9. "Hygiene-protection zone" is a territory surrounding ATs, PPRAO, and PKh, where people could be exposed to annual radiation doses exceeding the level of the dose for category B;

10. "Limit of the dose" is the highest level of the individual equivalent annual dose for a critical group of individuals in whose case the even radiation over a period of 70 years would not cause adverse changes in their health. It is controlled according to the power of the equivalent dose of external radiation of the territory and

within the premises and the level of radioactive precipitation and pollution of the environment;

11. "Zone under observation" is the territory in which discarded matter from work with radioactive substances could exert an influence and in which the radiation of the population could reach the maximal dose for category B;

12. "Packaging" is a packaged radioactive content in a way suitable for transportation;

13. "Packaging set" is the sum of components necessary for the total containment of the radioactive content. This may include one or several receptacles containing various substances, insulation structures, the means of protection from radiation, and systems for cooling and heat insulation, as well as shock absorbers. It may be shaped as a barrel, a box, or any other type of receptacle or a tank or a transportation receptacle, as long as it meets the respective requirements;

14. "Industrial packaging" is a packaging set, a receptacle, or a transportation container, the structure of which meets the general requirements or the general and additional requirements, based on the type and activity of the contained RAO;

15. "Type A Packaging" is a packaging set, tank, or transportation container, the structure of which meets the general and additional requirements and that contains active organic matter;

16. "Type B packaging" is a packaging set, tank, or transportation container with RAO, with activity exceeding the admissible level for Type A packaging, and the structure of which meets general, additional, and other special requirements;

17. "Transportation container" is a part of the transportation equipment designed to facilitate the transportation of the substance, using one or several different types of transportation vehicles, without intermediary reloading in the same type of transportation facility;

18. "Unfixed pollution" means radioactive pollution that can be removed from the surface by standard processing;

19. "Fixed pollution" is the opposite of unfixed pollution.

**Section 2.** The designing, building, operating, and reconstruction shops, sectors, installations, equipment, and other projects related to the gathering, preserving, processing, storing, transporting, and burying of RAO require KIAEMTs permits issued in accordance with the Regulation on Issuing Permits for the Use of Nuclear Energy by the KIAEMTs (DURZHAVEN VESTNIK No. 13, 1989).

**Section 3.** Issues related to the training, qualifications, and capacity of the personnel handling RAO are settled with the Regulation on the Criteria and Requirements

for the Training, Qualification, and Capacity of Cadres Working in the Area of Atomic Energy (DURZHAVEN VESTNIK No. 47, 1989).

**Section 4.** Violators of the present regulation shall be held liable as per Chapter 5 of the Law on the Utilization of Atomic Energy for Peaceful Purposes.

**Section 5.** The present regulation is issued in accordance with Article 13 of the Law on the Utilization of Atomic Energy for Peaceful Purposes.

**Appendix 1 to Article 8, Paragraph 1**

Organization											
Diary for Recording RAO in the Organization											
Responsible for Recording RAO: ... (Name, Middle Name, Last Name)											
Amount and Date	Type of RAO (Number and Date of Technical Certificate of Spent Source)	Type and Number of Packaging in Which RAO Is Contained	pH of the Environment of Liquid RAO	Radio-nuclide Structure	Specific Activity	Total Activity	Type and Number of Packaging in Which It Was Delivered to the PPRAO	Number and Date of the Legal Document With Which Spent Sources Were Written Off	Number and Date of the Legal Document With Which the RAO Was Delivered to the PPRAO	Last Name and Signature of Person Delivering the RAO	Last Name and Signature of Person Accepting the RAO
1	2	3	4	5	6	7	8	9	10	11	12

**Appendix 2 to Article 8, Paragraph 3**

Special Body														
Diary for Recording RAO in ATs														
Responsible for Recording RAO: ... (Name, Middle Name, Last Name)														
Type of RAO	Collecting RAO			RAO Processing				Preserving RAO			Storing RAO			
								Untreated			Spent			
	Amount and Date	Radionuclide Structure	General Activity and Specific Activity	Means of Treatment	Amount and Date	Specific Activity	General Activity	Amount and Date	Specific Activity	General Activity	Quantity and Date	Specific Activity	General Activity	Means of Treatment
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15

Remark: For solid RAO, the "specific activity" columns indicate the power of the equivalent dose of gamma radiation at a distance of 0.1 from the surface of the waste and the specific alpha- and beta-activeness.

## BULGARIA

## Appendix 3 to Article 8, Paragraph 3

**Diary for Recording RAO  
in the Area for Burying RAO  
and in Permanent Storage**

Type of RAO (for Spent Sources, Number and Date of Technical Certificate)	Date of Entry in the PPRAO	pH of the Environment (Liquid RAO)	Quantity	Means of Treatment in PPRAO	Radio-nuclide Structure	General Activity	Number and Type of Packaging in Which RAO Was Accepted	Number and Date at Which Spent Sources Were Eliminated From the Record	Number and Date of the Legal Document With Which RAO Was Received for Burial	Balance of Buried and Unburied RAO According to Columns 1, 2, 4-9	Last Name and Signature of Persons Delivering and Accepting the RAO
1	2	3	4	5	6	7	8	9	10	11	12

Remark: In column 6, for permanent storage, the means for treatment used by the ATs is indicated.

## Appendix 4 to Article 14, Paragraph 2

## Classification of Solid RAO by Activity

Solid RAO, Category	Power of the Equivalent Dose of Gamma Radiation at a Distance of 0.1 Meters From the Surface of the Waste, mSv/h	Specific Beta-Activity, Bq/kg	Specific Alpha-Activity Bq/kg
I	$1.10^3 - 3.10^{-1}$	$7.10^4 - 3.7.10^6$	$7.10^3 - 3.7.10^5$
II	$3.10^{-1} - 10$	$3.7.10^6 - 3.7.10^9$	$3.7.10^5 - 3.7.10^8$
III	10	$3.7.10^9$	$3.7.10^8$

## Appendix 5 to Article 52

## Registration Certificate Number.....

## Of Specialized Automotive Transportation Vehicle for the Transportation of RAO

1. Name of organization (nuclear power plant, place of burial of RAO or permanent storage).....
2. Model and number of automotive transportation vehicle.....
3. Degree of completeness of equipment of the automotive transportation vehicle.....
4. Consistency between the design and the requirements for the transportation of RAO.....
5. The transportation of the following RAO is allowed..... (description of the type, activity, and packaging, listing the permit issued by the Inspectorate for the Safe Utilization of Atomic Energy of the KIAEMTs)

6. Certificate valid until..... 19...

Manager of the organization (ATs, PPRAO, PKh):.....

Date certificate issued.....

## Appendix 6 to Article 61, Paragraph 1

## Certificate Number.....

Issued to:..... (Name, Middle Name, Last Name)

Driver of specialized automotive transport vehicle No....., certifying that he has undergone the necessary training in radioactive safety and in the rules for the transportation of RAO on..... 19...

Medical examination conducted on..... 19...

Certificate valid until..... 19...

Manager of the PPRAO (PKh, ATs):.....

## Appendix 7 to Article 61, Paragraph 2, Item 5

## Certificate Number.....

For the Delivery (Acceptance)  
of RAO for Burial

On this date, ..... 19..., .....(Name, Middle Name, Last Name)

As a representative of..... (Organization, ATs), I delivered to..... (Name, Middle Name, Last Name),

Representing the..... (PPRAO, PKh)

The following RAO to be buried.

Description of RAO									
Solid, Untreated	Solid, Treated	Spent Sources, Biological, etc.	Type of Packaging and Data of Labeling, Markings, and Inscriptions	pH of the Medium	Radionuclide Structure	Type of Radiation	Specific Activity	Total Activity	Total Amount of Delivered RAO
1	2	3	4	5	6	7	8	9	10

Remark: The organizations which deliver waste to the PPRAO must fill in columns 1, 3, 4-10; the ATs delivering RAO to PKh must fill columns 2, 4, and 6-10. Column 3 as well must be filled for untreatable RAO by ATs

Name of person delivering RAO:.....

RAO accepted by:.....

#### Appendix 8 to Article 62

#### Norms Relating to Unfixed Radioactive Pollution on Packaging, Packing Sets, Transportation Containers, and Transportation Vehicles

Type of Object	Pollution Bq/cm <sup>2</sup> With	
	Beta- and Gamma-Active Radionuclides and Low-Toxic Alpha-Active Radionuclides	All Other Alpha-Active Radionuclides
External surface of packaging	4	0.4
External and internal surfaces of packing sets, transportation containers, transportation vehicles, and their equipment	4	0.4

\*Low-toxic alpha-active radionuclides: natural uranium; depleted uranium; natural thorium; uranium-235 or uranium-238; thorium-232, 228, and 230, if the indicated materials or their physical or chemical concentrates, or alpha-active radionuclides have half-lives of less than 10 days. These restrictions are applicable in defining unfixed pollution over an area of 300 square centimeters on any part of the surface.

#### Regulation on Issuing, Selling, Buying of Noncash Short-Term Securities

92BA0538A Sofia DURZHAVEN VESTNIK in Bulgarian No 9, 31 Jan 92 pp 2-4

[“Text” of Regulation No. 5, dated 23 January 1992, on Issuing, Selling, and Purchasing Noncash Short-Term State Securities, issued by the Ministry of Finance and the Bulgarian National Bank and signed by Iv. Kostov, minister of finance, and T. Vulchev, administrator of the Bulgarian National Bank]

[Text]

#### Regulation No. 5 dated 23 January 1992 on Issuing, Selling, and Purchasing Noncash Short-Term State Securities

#### Chapter 1

#### General Stipulations

**Article 1.** This regulation defines the procedure for floating domestic state loans by issuing noncash state securities for a term not to exceed one year (subsequently referred to as “state securities”).

**Article 2.** In the sense of this regulation, a “financial institution” means any individual with a license to make bank deals or an insurance institution.

#### Chapter 2

#### Sale of State Securities on the Primary Market

**Article 3.** (1) The sale of state securities is conducted by the Bulgarian National Bank (BNB) for the state, with auctions held twice monthly, on the first and third Monday. If that day happens to be a holiday, the auction takes place on the next working day.

(2) If necessary, by proposal of the Ministry of Finance (MF), the BNB may issue special state securities as per the stipulation of Paragraph 1.

(3) The auction is supervised by a commission designated by the BNB Administrative Council, consisting of three permanent and two alternate members.

(4) Any financial institution with a checking account in the BNB may participate in the auction and, by virtue of that participation, signify its acceptance of the conditions and procedure as per this regulation.

**Article 4.** At least three working days before each auction, the BNB shall report to the financial institutions, as per Article 3, Paragraph 4, the number of the issue, the date of auction, the maturity of the security, the quantity offered, and the lowest acceptable price per 100-leva nominal value.

**Article 5.** (1) Financial institutions wishing to participate in the auction must send their orders to the BNB, State Credits Administration, State Securities Department, no later than 1000 on the day of the auction. The orders shall be sent with a coded text by telex (fax). Submitted requests may not be canceled.

(2) An order for participation (Example A of Appendix) should include the following:

1. Address on the order;
2. Name of the participant;
3. Number of the checking account of the participant in the BNB;
4. Number of the account of the participant for state securities;
5. Number of the issue of state securities for which the order is placed;
6. Total nominal value of the order (figures and letters);
7. Price at which the participant wishes to purchase state securities, in terms of a percentage per 100-leva nominal value, with two digits after the decimal point (figures and letters). The price may not be below the minimally acceptable price as announced by the BNB as per Article 4;
8. A coded text when submitting the order by telex (fax).

(3) Any participant in an auction may submit as many as 10 orders. Each order must indicate an overall nominal value not under 500,000 leva, in multiples of 10,000 leva, and a price in terms of a percentage of 100-leva nominal value.

(4) With the agreement of the MF, the BNB may refuse to sell state securities to individual financial institutions without giving a reason.

**Article 6.** (1) The auction is based on the orders received by the stipulated time by the State Securities Department, State Credits Administration of the BNB.

(2) The auction commission rates the orders in a descending sequence on the basis of the offered prices and approves them until the amount of state securities announced for sale have been reached. In the case of identical offers, the orders are approved according to the time they were received by the BNB.

(3) If the overall nominal value of the last approved order is higher than the amount of state securities still available for distribution, the order will be filled to the amount of the remaining balance.

(4) If part of the amount for sale remains unsold, the issue shall be considered partially filled.

(5) Minutes are drafted on the results of the auction and signed by all members.

(6) After the completion of the auction, the BNB shall inform in writing the participants whose orders were approved.

**Article 7.** (1) One day after the auction, the BNB will perform the payment operations between the financial institutions and the MF. This date shall be considered the date of the issue and the date the state securities were acquired.

(2) Payments will be based on the price offered by the participant.

(3) On the day of the issue, the BNB will record the state securities purchased by each participant.

(4) Financial institutions that participate in the auction must secure by no later than the date of the issue the necessary funds in their checking accounts in the BNB with which to pay for the state securities they purchased.

### Chapter 3

#### Purchase and Sale of State Securities on the Secondary Market

##### Section I

###### Purchase and Sale of State Securities Among Financial Institutions

**Article 8.** (1) In a deal involving state securities made by financial institutions meeting the stipulations of Article 3, Paragraph 4, the purchaser and the seller, having agreed on the purchase and sale of state securities, will submit to the State Securities Department of the BNB a request for the deal to be recorded by the department.

(2) Records for registration of the deal as per Paragraph 1 (Example B of Appendix) must include the following:

1. Address on the request;
2. Name of the purchaser;
3. Number of the checking account of the purchaser;
4. Number of the account in which the state securities of the purchaser are registered;
5. Name of the seller;
6. Number of the checking account of the seller;
7. Number of the account in which the state securities of the seller are registered;

8. Number of the issue of state securities subject to purchase and sale;

9. Total nominal value of the transferred state securities (in figures and letters);

10. Market price of transferred state securities (figures and letters);

11. Value;

12. Coded text in submitting the request by telex (fax).

(3) Requests for the transfer of state securities must be received by the State Securities Department at least two working days before the day on which payment is due.

**Article 9.** (1) The BNB will determine whether the seller has the state securities indicated in the request and whether the prerequisites relative to the requests filed by the seller and the purchaser coincide.

(2) If the stipulations of Paragraph 1 have been met, the BNB will officially settle the accounts among the financial institutions and reflect in its records the movement of the state securities with the value stipulated in the request.

(3) If the conditions as per Paragraph 1 have not been met, the BNB will refuse to make the payment and transfer the state securities and will tell the seller and the purchaser in writing the reasons for the refusal.

**Article 10.** If so requested by the financial institutions, the BNB will submit extracts of the records on state securities they own.

**Article 11.** Secondary market operations must be terminated five working days before the maturing of the respective state security issue.

## Section II

### Purchase and Sale of State Securities Among Financial Institutions and Physical and Juridical Persons

**Article 12.** (1) In the sale of state securities to physical and juridical persons, the financial institutions shall issue nominal certificates confirming the number of the issue and the total nominal value of purchased state securities.

(2) The certificate (Example C of Appendix) must include the following:

1. Name of the financial institution;

2. Signatures of two individuals authorized to represent the financial institution;

3. Seal of the financial institution;

4. Name of the purchaser;

5. Number of the state security issue subject to purchase and sale;

6. Overall nominal value of state security (figures and words);

7. Purchase price of state securities;

8. Maturity of state securities.

(3) The financial institutions may sell state securities to their clients at an overall nominal value not lower than 500 leva, in multiples of 100 leva.

(4) At the request of the BNB, the financial institutions must send it excerpts of the accounts holding state securities owned by them and their customers.

(5) State Securities held by the financial institution in their customers' accounts may not be used to meet the institutions' obligations.

## Chapter 4

### Redemption of Matured State Securities

**Article 13.** (1) The MF will provide the necessary funds for the redemption of state securities no later than one day before their maturity, from a special account kept in the BNB.

(2) On the basis of its records, the BNB will determine the amount of state securities that have matured and are owned by the financial institutions.

(3) On the day of maturity, the BNB will officially perform the payment operations between the MF and the financial institutions.

(4) The financial institutions will pay the nominal value of the state securities sold to other individuals on the basis of the nominal certificates they present.

**Article 14.** Amounts owed on state securities will be considered repaid on the basis of the statute of limitations three years after their maturity.

### Concluding Stipulation

**Only paragraph.** The present regulation is issued in accordance with Article 62 of the Law on the BNB.

**Appendix to Article 5, Paragraph 2,  
Article 8, Paragraph 2, and  
Article 12, Paragraph 2**

### Example A

To the BNB, State Credits Administration, State Securities Department

### Order

"Commercial Bank A," payment account 000 000 000 000-1, BNB state securities account 000 000 000 000-2 purchases state securities issue BG 000 000 000-1, nominal value 50,000,000 (fifty million) leva at a price of 88.50 (eighty-eight and fifty one-hundredths) leva per 100 (one hundred) leva nominal.

**Example B**

To the BNB, State Credits Administration, State Securities Department

**Request**

"Commercial Bank A," payment account 000 000 000 000-1, state securities account in the BNB 000 000 000 000-2 purchases state securities from "Commercial Bank B," payment account 000 000 000 000-2, state securities BNB account 000 000 000 000-3, issue BG 000 000 000-1, nominal value 10,000,000 (ten million) leva for 9,500,000 (nine million and five hundred thousand) leva, having the value of .....

**Example C**

"Commercial Bank A" sells to company "AA" state securities, issue BG 000 000 000-1, nominal value 20,000 (twenty thousand) leva for 19,700 (nineteen thousand seven hundred) leva, maturing on.....

**Law To Restore Ownership of Nationalized Real Estate**

*92BA0581A Sofia DURZHAVEN VESTNIK  
in Bulgarian No 15, 21 Feb 92 pp 1-2*

[“Text” of Law To Restore Ownership of Nationalized Real Estate, adopted by the 36th National Assembly on 5 February 1992 and signed by Stefan Savov, chairman of the National Assembly]

[Text]

Ukase No. 37  
of President of the Republic Zhelyu Zhelev  
issued in Sofia on 17 February 1992  
and sealed with the state seal

On the basis of Article 98, Point 4 of the Constitution of the Republic of Bulgaria, I hereby decree that the Law To Restore Ownership of Nationalized Real Estate, adopted by the 36th National Assembly on 5 February 1992, be published in DURZHAVEN VESTNIK.

**LAW TO RESTORE OWNERSHIP OF NATIONALIZED REAL ESTATE**

**Article 1.** (1) Ownership is restored of real estate expropriated in accordance with the Law on the Expropriation of Large Urban Real Estate (published in DURZHAVEN VESTNIK No. 87, 1948; amended in No. 91, 1948), owned by the state, the townships, public organizations, their companies, or private companies as per Article 61 of the Commercial Code, actually extant in the dimensions within which they were expropriated.

(2) Deals made in violation of the resolution of the Grand National Assembly on the partial revocation of the prohibition on the sale of state and township property of 6 December 1990 (DURZHAVEN VESTNIK No. 101, 1990) are invalidated, and ownership of the property subject to the transfer is restored.

**Article 2.** (1) Ownership is restored of property expropriated in accordance with the following: Law on State Tobacco Monopoly (published in DURZHAVEN VESTNIK No. 96, 1947; amended in Nos. 93 and 234, 1948 and in IZVESTIYA No. 41, 1951 and No. 39, 1952); Law on State Petroleum Products Monopoly (published in DURZHAVEN VESTNIK No. 55, 1948; rescinded in No. 39, 1991); Law on Alcohol and Sweetened Alcoholic Beverages and Trade in Fruit Brandies and Wine Monopoly (published in DURZHAVEN VESTNIK No. 178, 1947; amended in Nos. 93 and 234, 1948 and No. 36, 1949); Law on the Nationalization of Private Industrial and Mining Enterprises (published in DURZHAVEN VESTNIK No. 302, 1947; amended in No. 176, 1949); Law on Cinematography (published in DURZHAVEN VESTNIK No. 78, 1948; amended in IZVESTIYA No. 95, 1953 and No. 65, 1959 and in DURZHAVEN VESTNIK No. 85, 1974); Law on Book Printing (published in DURZHAVEN VESTNIK No. 52, 1949; amended and supplemented in IZVESTIYA No. 19, 1951); Ukase on Expropriation of Food Storage Warehouses (published in IZVESTIYA No. 13, 1952).

(2) Ownership of the property as per Paragraph 1 is restored provided such property, at the time of the enactment of the present law, is owned by the state, townships, or public organizations or their companies, or by private companies as per Article 61 of the Trade Law, and provided they actually exist in the dimensions within which they were expropriated.

**Article 3.** (1) Ownership of property as per Articles 1 and 2 is restored to individuals from whom they were expropriated or to their legal heirs.

(2) Ownership is restored to juridical persons whose property was expropriated in accordance with the laws listed in Article 2. If such juridical persons do not exist at the time of the enactment of the present law, the right of ownership is restored to associates or members of such juridical persons or to physical persons who were members or associates at the time of their termination, in accordance with the rights of the individuals or their legal heirs.

(3) If the conditions for the restoration of ownership of the property as per Articles 1 and 2 are not present, their former owners or their heirs are compensated in accordance with the procedure stipulated in a separate law.

**Article 4.** (1) Ownership of property as per Articles 1 and 2 is restored if its owner has not been compensated with an equivalent payment in cash or any other real estate of equal value. Bonds are not considered compensation.

(2) Individuals in cases in which there have been withholdings as per the Ukase on Withholding the Debts of Former Owners of Property Expropriated by the State and Nationalized Enterprises by the State, Banks, and State Enterprises (IZVESTIYA No. 60, 1955) are not considered as having received compensation.

(3) Owners of property as per Article 8 of the Law on the Expropriation of Large Urban Real Estate and Article 7 of the Law on the Nationalization of Private Industrial and Mining Enterprises that was received as compensation or as substitute housing may request the restoration of the property. The requests must be filed no later than six months from the enactment of the present law with the minister of finance, who must issue a ruling within 30 days. Failure to issue such a ruling is considered silent rejection. Rejections must be appealed within 14 days to the Supreme Court, which must rule on the substance. The stipulations of the Law on Administrative Procedures apply in the case of unresolved issues.

(4) With the enactment of the resolution as per Paragraph 3, real estate given as compensation or a substitution becomes the property of the state or the township and is seized in accordance with Article 16 of the Law on Ownership. The seizure may not take place sooner than six months from the resolution on the restoration of ownership and, in the cases stipulated in Article 6, Paragraph 2, before the expiration of the three-year period.

**Article 5.** The heirs of individuals whose ownership of the property as per Articles 1 and 2 is being restored shall be exempt from paying inheritance taxes.

**Article 6.** (1) Leasing agreements for real estate as per Articles 1 and 2 will be treated as open-end leases.

(2) A physical person administratively given housing whose ownership is restored as per this law shall retain his right as a tenant as per the Law on Rental Relations for a three-year period from the enactment of this law. Starting with the date of the restoration of ownership, he shall pay rent to the new owner. A rental contract may not be annulled prior to the expiration of the three-year term except in the cases listed in Article 36, Paragraph 1, Items 1, 2, 3, 4, and 11 of the Law on Rental Relations.

(3) The stipulations of Paragraph 2 also apply in cases in which real estate is used as nurseries, kindergartens, schools, or health institutions.

**Article 7.** The owners of property as per Articles 1 and 2 or their heirs may file claims for the restoration of ownership of such property if the property has been acquired by third individuals in violation of the laws or by virtue of their official or party status or through the abuse of power. The claims must be filed within one year of the enactment of this law.

**Article 8.** (1) Former owners and their heirs may not claim lost benefits and income from the property.

(2) The necessary expenditures for the property made by tenants who are physical persons must be paid by them.

**Article 9.** Individuals whose ownership is restored in accordance with the present law may be issued ownership documents after a thorough investigation, proving that, prior to the date of the condemnation of the

property by the state, they or their heirs had the right of ownership. No state fees are charged for the thorough investigation.

**Article 10.** Ownership of stores, workshops, warehouses, and studios sold between 13 March 1973 and 16 March 1990 outside the stipulations of Resolution No. 6 of the Council of Ministers of 1975 on the Purchasing of Stores, Workshops, Warehouses, and Studios (DURZHAVEN VESTNIK No. 39, 1975) shall be restored in accordance with the stipulations of the Law on the Restoration of Ownership of Some Stores, Workshops, Warehouses, and Studios (DURZHAVEN VESTNIK No. 105, 1991).

#### Additional Stipulation

1. The township councils will do what is necessary to resolve on a priority basis the housing problem of tenants occupying the affected housing as per Article 6, Paragraph 2, within the stipulated time.

#### Concluding Stipulation

2. (1) Within one month of the enactment of this law, the Council of Ministers shall issue a resolution restoring ownership of real estate expropriated with Council of Ministers acts between 1947 and 1962, excluding acts promulgated on the basis of Article 101 of the Law on Ownership.

(2) Within the same period of time, the Council of Ministers shall submit to the National Assembly a draft law on rescinding the ukases with which the property of the citizens was condemned in favor of the state.

#### Law To Restore Ownership of Property Expropriated Under Previous Laws

92BA0582A Sofia DURZHAVEN VESTNIK  
in Bulgarian No 15, 21 Feb 92 pp 2-3

[“Text” of Law To Restore Ownership of Property Expropriated Under Previous Laws, adopted by the 36th National Assembly on 5 February 1992 and signed by Stefan Savov, chairman of the National Assembly]

[Text]

Ukase No. 38  
of President of the Republic Zhelyu Zhelev  
issued in Sofia on 17 February 1992  
and sealed with the state seal

On the basis of Article 98, Point 4 of the Constitution of the Republic of Bulgaria, I hereby decree that the Law To Restore Ownership of Property Expropriated as per the Law on the Territorial and Settlements Sector, the Law on the Planned Development of Settlements, the Law on the Development of Settlements, the Law on State Property, and the Law on Ownership, adopted by the 36th National Assembly on 5 February 1992, be published in DURZHAVEN VESTNIK.

**LAW TO RESTORE OWNERSHIP OF PROPERTY EXPROPRIATED AS PER THE LAW ON THE TERRITORIAL AND SETTLEMENTS SECTOR, THE LAW ON THE PLANNED DEVELOPMENT OF SETTLEMENTS, THE LAW ON THE DEVELOPMENT OF SETTLEMENTS, THE LAW ON STATE PROPERTY, AND THE LAW ON OWNERSHIP**

**Article 1.** (1) Individuals and their heirs, whose built-up real estate was expropriated before 21 April 1990 in accordance with the Law on the Territorial and Settlement Structure, the Law on the Planned Development of Settlements, and the Law on the Urbanization of Settlements may request the voiding of such expropriation provided the buildings existed on the day of enactment of the present law, and provided the project for whose purpose the property was expropriated has not actually been started.

(2) If the standing buildings have been demolished, a request may be filed to void the expropriation, provided construction has not actually been started and that the lot meets the requirements of an individual building lot, based on the respective rules, standards, and norms.

(3) If the expropriated buildings are held on the basis of a temporary regulation, the individuals as per Paragraph 1 may request the voiding of the expropriation, provided the possibility exists, based on the construction and regulatory plan, for such buildings to be included in the plan for future development and the lot meets the requirements for an individual building lot in accordance with the respective regulations, standards, and norms.

**Article 2.** Individuals whose unimproved real estate has been expropriated may also file for the voiding of the expropriation as per Article 1, Paragraph 1 provided construction, at the time of the enactment of the present law, has not actually begun on such property.

**Article 3.** (1) Individuals whose property was expropriated for state needs as per Article 26 of the Law on State Property or Article 101 of the Law on Ownership may file to have the expropriation voided, provided the property, at the time of the enactment of this law, is not being used for the purpose for which it was expropriated.

(2) Individuals whose stores were expropriated as per Article 101 of the Law on Ownership may file to have the expropriation voided, provided they refund to the state the proceeds of the compensation they received.

**Article 4.** A voiding of expropriation must be requested within six months from the enactment of the present law. It must be filed with the mayor of the township, who must issue a decision within 30 days. Failure to issue a decision within that time is considered a refusal. A refusal must be appealed within 14 days to the respective okrug court, which will rule on the substance of the case.

**Article 5.** (1) If the expropriation is voided, housing and other projects given in compensation will become state property in accordance with the voiding resolution.

(2) The seizure of the property as per Paragraph 1 is based on Article 16 of the Law on Ownership and must take place within six months of the enactment of the resolution voiding the expropriation. Within the same period of time, individuals living in such turnover housing must vacate it.

(3) Housing that has been converted to state property shall be given to the township councils where the property is located, to be used for housing socially deprived citizens, citizens with an extreme need for housing, and citizens who must vacate houses whose ownership has been restored to other individuals.

**Article 6.** (1) If a former owner has received monetary compensation, the resolution on voiding the expropriation shall be enacted as of the time the monetary compensation has been refunded.

(2) The amount paid as the differential between the price of the expropriated property and the one provided as compensation must be refunded within two months of the resolution on the voiding of the expropriation.

**Article 7.** (1) When, as a result of expropriation, co-owned property has been used as compensation or property owned by third individuals has been used as compensation, the petition for voiding the expropriation must be filed by all co-owners and all third individuals, with notarized signatures.

(2) If the property granted as compensation has been transferred in a deal to a third individual, a voiding of the expropriation may not be requested unless the property had been restored to the petitioner at the time the request to void the expropriation was filed.

#### **Additional Stipulation**

**Only paragraph.** (1) Owners of expropriated property must file their requests to amend the construction and regulatory plan as per Article 1, Paragraphs 2 and 3 with the township councils.

(2) A decision of the mayor as per Article 1, Paragraphs 2 and 3 is binding on technical and other state authorities. A resolution on changes in the construction and the regulatory plan on approving a building lot and including the building in the future construction system may not be appealed.

#### **Order of Ministry of Industry, Trade, for Imports, Exports**

*92BA0584A Sofia DURZHAVEN VESTNIK  
in Bulgarian No 15, 21 Feb 92 pp 10-11*

[“Text” of Ministry of Industry, Trade, and Services Order No. RD-16-02, dated 14 January 1992 and signed by Minister Ivan Pushkarov]

[Excerpt] In accordance with Resolution No. 119 of the Council of Ministers of 1991 (published in DURZHAVEN VESTNIK No. 52, 1991; amended in No. 71, 1991; supplemented in No. 79, 1991 and Nos. 3, 9, and 11, 1991) on the Import and Export Regime for 1991, the Ministry of Industry and Trade must endorse certificates for export or import as well as export licenses for textile goods destined for the European Economic Community (EEC) and Canada, and for the export of small-sized cattle and meat from such cattle to the EEC. In this connection, I hereby order the following:

1. Firms requesting permits for the export/import of goods and technologies must submit to the Ministry of Industry and Trade a field form-certificate in two copies as per Appendix No. 1.

For exporting goods subject to quantitative restrictions to EEC countries and Canada, the companies that have been issued quotas subsequent to their participation in the respective competitions must also submit completed forms for export licensing in three copies and, if so required, bank guarantees.

2. In cases requiring advance clearing with other authorities—the Ministry of Finance, the Ministry of Agriculture, the Ministry of Environment, the Ministry of the Interior, the Ministry of Defense, and so forth—the written opinions of these authorities must be entered in the space marked "Note" before submitting the forms to the Ministry of Industry and Trade.

3. Endorsed certificates (numbered and stamped) will be issued within three working days from the date of the request. The first copy of the certificate will be for the company, for its own use; the second will be kept by the Ministry of Industry and Trade.

A refusal to endorse a certificate must be justified in writing within the same period of time, and the documents must be returned to the petitioner.

4. The data on the certificates and bank guarantees must be provided in accordance with Bulgarian and international standards and the recommendations described in the United Nations Trade Elements Directory (UNTEDD), as follows:

4.1. Exporter (importer): Name and address of the selling-export or purchasing-import company. Enter the nine-digit code number to the right of the EKPOU (Uniform Enterprise, Organization, and Establishment Classifier).<sup>1</sup>

4.2. Basis: Indicates the legal document on the basis of which authentication of the document is requested (ukase, law, resolution or Council of Ministers decision); exact name of the document, number, date of issue, paragraph, section, article, line, item, and so forth.

4.3. Contract number and date: Number of the contract or document of the company, confirming the data in the certificate, and the date on which it was issued.<sup>2</sup>

4.4. Producer (consumer): Name and address of the company producing the commodity for export or the consumer of the commodity from import. On the right of the EKPOU acronym, enter the nine-digit code number.

4.5. Purchaser (seller): Name, country, and legal address, and the location of the headquarters of the foreign firm purchaser or seller. Enter the country code as per Appendix No. 3 [not reproduced here].

4.6. Country of origin and receiving country: Code of the country as per Appendix No. 3, where the goods are originating, or their destination.

4.7. Delivery conditions: Enter code as per INKOTERMS90 of the International Chamber of Commerce, Paris, as indicated in Appendix No. 4 [not reproduced here].

4.8. Payment commissions: Enter code as per Appendix No. 5 [not reproduced here].

4.9. Time of delivery and payment term: Indicate the date by which delivery and/or payment must be made.<sup>2</sup>

4.10. Currency: Enter the code for the foreign currency as per Appendix No. 6 [not reproduced here].

4.11. Rate of exchange: Enter the rate of exchange of the foreign currency in leva as per the BNB [Bulgarian National Bank] bulletin of the last working day before the submission of the form and the documents to the Ministry of Industry and Trade.

4.12. Code: Enter the eight-digit tariff number of the commodity as per the customs tariff.

4.13. Description of the commodity: Provide a precise description of the commodity.

4.14. Measurement: Enter the measurements of the respective commodity as per Appendix No. 7 [not reproduced here].

4.15. Quantity: Enter the precise quantity as per the measurement of 4.14; in the case of bulk freight, a deviation of plus or minus 5 percent is allowed.

4.16. Unit price: Indicate the unit price in the payment currency, based on FOB Bulgarian port or FOB Bulgarian border for exports and FOB foreign port or FOB foreign border for imports by the supplier, per unit commodity measurement.

4.17. Total value: Indicate the total value in foreign currency and in leva. The total value in foreign currency will be different from the sum of the unit value by quantity if the conditions for delivery are not FOB or FOB at the border.

5. The export license for exporting textile goods to the EEC and Canada and of small-sized cattle and meat from such cattle to the EEC must be filled out in English and French in triplicate (an original and one copy for the

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company, and one copy for the MIT [Ministry of Industry and Trade]), in accordance with the respective agreements.

6. The Automated Management Systems Unit must update the system for electronic data processing used by the MVV [Ministry of Foreign Economic Relations] for

issued certificates, with a view to ensuring a weekly control and coordination with the data received from the Customs Administration.

The present order must be published in DURZHAVEN VESTNIK.

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**Appendix No. 1**  
**Bulgarian Export/Import Certificate**

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Exporter/ Importer	EKOUP	Legal basis			Date
		Contract No.			Date
Manufacturer/ End-User	EKOUP	Buyer/Seller			
		Country of origin			Country of destination
		Terms of delivery			Date of delivery
		Terms of payment			Date of payment
		Currency			Exchange rate
HS Code	Description of Goods	Unit	Quantity	Unit Price	Value in Leva
					Value in Hard Currency
Note					
Prepared by		Signature			
Signature					
Telephone		Seal			
Copy 1—for the company		Copy 2—for MIT			

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**Footnotes**

1. Information provided by the Central Statistical Administration, 2 Panayot Volov Street, fourth floor, room No. 8.
2. Year, month, day, as indicated in Appendix No. 2.

[passage omitted]

**Amendment to Law on Income Tax**

92BA0653A Sofia DURZHAVEN VESTNIK  
in Bulgarian № 19, 6 Mar 92 pp 2-3

[“Text” of Law Amending and Supplementing the Law on the General Income Tax, adopted by the 36th National Assembly on 20 February 1992 and signed by Stefan Savov, chairman of the National Assembly; see “Provisions of New Income Tax Detailed” in DUMA, 23 March 1991, published in FBIS-EEU-91-060, 28 March 1991, pages 9-10]

[Text]

Ukase No. 55  
of President of the Republic Zhelyu Zhelev  
issued in Sofia on 17 February 1992  
and sealed with the state seal

On the basis of Article 98, Point 4 of the Constitution of the Republic of Bulgaria, I hereby decree that the Law Amending and Supplementing the Law on the General Income Tax, adopted by the 36th National Assembly on 20 February 1992, be published in DURZHAVEN VESTNIK.

**LAW AMENDING AND SUPPLEMENTING THE  
LAW ON THE GENERAL INCOME TAX**

(Published in DURZHAVEN VESTNIK No. 132, 1950; amended in IZVESTIYA No. 104, 1952; No. 60, 1953; No. 15, 1953; No. 64, 1955; No. 91, 1957; No. 90, 1958; No. 91, 1960; No. 105, 1962; DURZHAVEN VESTNIK No. 99, 1963; No. 52, 1965; Nos. 16 and 52, 1966; Nos. 15 and 100, 1967; No. 69, 1968; No. 60, 1970; No. 101, 1972; No. 53, 1973; amended in No. 54, 1973; amended and supplemented in Nos. 36 and 93, 1979; No. 7, 1982; No. 44, 1984; No. 79, 1985; No. 33, 1988; No. 4, 1989; Nos. 10 and 30, 1990; No. 27, 1991; amended in No. 30, 1991; amended in No. 82, 1991.)

**Section 1.** Article 3 is amended as follows:

“3. The tax is obligatory for individuals earning income liable to taxation in accordance with this law.”

**Section 2.** The table in Article 4 is amended as follows:

Monthly Income	Tax
(in leva)	
750 or less	No tax
750.01-1,000	20% for any amount over 750
1,000.01-3,000	50 + 24% for any amount over 1,000
3,000.01-6,000	530 + 28% for any amount over 3,000
6,000.01-10,000	1,370 + 32% for any amount over 6,000
10,000.01-20,000	2,650 + 36% for any amount over 10,000
Over 20,000	6,250 + 40% for any amount over 20,000

Section 3. Article 13 is amended to read as follows:

1. The table in Paragraph 1 is amended as follows:

Annual Income	Tax
(in leva)	
9,000 or less	No tax
9,000.01-12,000	20% for any amount over 9,000
12,000.01-36,000	600 + 24% for any amount over 12,000
36,000.01-72,000	6,360 + 28% for any amount over 36,000
72,000.01-120,000	16,440 + 32% for any amount over 72,000
120,000.01-240,000	31,800 + 36% for any amount over 120,000
Over 240,000	75,000 + 40% for any amount over 240,000

2. A new Paragraph 3 is added, to read as follows:

"Income from renting property considered joint family property must be divided equally among the spouses, unless a different proportion is ordered by a court ruling."

3. Paragraph 4 is amended to read as follows:

"Expenditures related to activities must be subtracted from the total annual income, if they are related to the following:

"1. Invested raw and other materials; cost of energy; transportation; leasing; telephone, fax, telex, and other communications; advertising; and other direct expenditures;

"2. Purchase and maintenance of machines and equipment, buildings, transportation facilities, farm inventory, amortization deductions, and other expenditures for durable material assets, as well as expenditures for current and capital repairs if no amortization deductions have been made;

"3. Wages and remunerations paid in accordance with civil contracts and social security for blue-collar and white-collar workers;

"4. Training, qualification, retraining, including hired blue-collar and white-collar workers both in the country and abroad;

"5. Per diem, travel, and housing allowance for traveling in the country and abroad, but not to exceed double the amount allowed for state officials;

"6. Cost of representation not to exceed 3 percent of taxable income;

"7. Purchase of bonds, treasury bonds, and other state or bank securities, share participations, and stock;

"8. Payments to the budget for taxes, fees, and so forth;

"9. Repayment of bank loans with terms in excess of one year, and interest paid;

"10. Property insurance;

"11. Contributions to the state and to training, scientific, cultural, health, educational, sports, and tourist institutions, nonprofit or supported by the budget; to foundations with charitable, environmental protection, health, scientific research, and cultural and educational purposes; to foundations that assist victims of natural disasters; and for aid and assistance to students, but not to exceed 20 percent of taxable income;

"12. Other necessary expenditures."

4. Paragraphs 3, 4, 5, 6, 7, 8, and 9 become Paragraphs 4, 5, 6, 7, 8, 9, and 10, respectively.

Section 4. In Article 19, last paragraph, substitute the words "the tax authority of the tax service or bureau" for the words "financial department, section, or service of the township people's council or mayoralty that makes the budget."

**Section 5.** Article 32 is amended to read as follows:

“32. Taxable income as per Articles 13 and 19 of the law will be computed by the tax authorities in accordance with their authorization as per Article 81a of the Law on Local Taxes and Fees.

“In a case where the total annual income may not be determined for lack of accounts or because of faulty bookkeeping, the tax authorities will compute it by taking the following under consideration:

- “1. Documents with reliable data;
- “2. Type and nature of activities;
- “3. Rent paid on real estate in which the work is done;
- “4. Commercial importance of the place in which the work is done;
- “5. Capital;
- “6. Turnover;
- “7. Number of employed personnel;
- “8. Range of customers;
- “9. Paid turnover and excise tax;
- “10. Income earned by other individuals engaged in practicing similar activities under similar or identical conditions;
- “11. Quantitative differences between procured and available raw and other materials;
- “12. Any other objective data that could assist in attaining this objective.”

**Section 6.** Article 33 is amended as follows:

1. In Paragraph 1, substitute “until 15 February” for “until 15 January.”

2. Paragraph 2 is amended as follows:

“Individuals whose incomes are derived from activities related to a craft and that are subject to taxation as per Articles 13 and 19 of this law must inform the tax service or bureau in their areas within 15 days of beginning their activities. Such information must be submitted in writing in accordance with a form approved by the Minister of Finance. The data are entered in a special register in accordance with a procedure determined by the minister of finance.”

**Section 7.** In Article 35, substitute “tax authority” for “financial authority.”**Section 8.** Article 45 is amended to read as follows:

“45. State and township authorities and juridical and physical persons must assist the tax authorities in the performance of their official duties.

“The tax authorities and other individuals must keep the confidentiality of facts they have learned in the course of their duties.

“Supplying information to the judiciary and other state authorities in cases specifically stipulated in the law is not considered a breach of confidentiality.

“Violators are punishable with fines not to exceed 20,000 leva.”

**Section 9.** Paragraph 2 of Article 50 is amended to read as follows:

“A blind, deaf, dumb, or disabled person with an assigned disability group will be exempt from taxes if the taxable individual as per Article 4 and Article 13, Paragraph 1 has an income that is not more than twice the amount of the taxable monthly income or the annual minimum. The differential in excess of these amounts will be taxed as regular income.”

**Section 10.** Article 53 is deleted.

**Section 11.** In Articles 54 and 55, the words “the account of the tax service or bureau” are substituted for “the account of the township people’s council or mayoralty that makes the budget.”

**Section 12.** Article 56 is amended to read as follows:

“56. The tax as per Section I, Chapter IV of the law must be paid within 30 days after it has been determined, as per Article 35.”

**Section 13.** Article 57a is deleted.**Section 14.** Article 60 is amended to read as follows:

“60. Chiefs, directors, and so forth, and accountants in establishments, enterprises, organizations, and so forth will be individually fined 100-500 leva for the improper computing of tax and for delayed tax payments. This fine will be imposed for failure to submit the data as per Article 19.

“Proof of violations and the promulgation, appeal, and execution of penal resolutions shall be based on the Law on Administrative Violations and Penalties.”

**Section 15.** A new Article 60a is added to read as follows:

“60a. Penal resolutions for the levy of fines as per this law shall be issued by the chiefs of the tax services in their respective territorial tax administrations.”

**Provisional and Concluding Stipulations**

**Section 16.** With the exception of Item 2, the present law will apply for income earned after 1 January 1992.

**Section 17.** Paragraph 2 will apply to income earned after 1 March 1992.

**Section 18.** The stipulations of Items 1 and 3, Points 2 and 3 will apply also in the case of income earned in 1991.

**Section 19.** The execution of this law is assigned to the Council of Ministers.

**Law on Value-Added Tax**

*92CH0590A Prague HOSPODARSKE NOVINY  
in Czech 12 May 92 pp 15-18*

[“Text” of Law on Value-Added Tax, approved by the Federal Assembly of the Czech and Slovak Federal Republic, dated 16 April 1992]

[Text] The Federal Assembly of the Czech and Slovak Federal Republic has agreed upon the following law:

**PART ONE  
GENERAL PROVISIONS**

**Section 1  
Object of Regulation**

This law regulates the tax on added value (hereinafter referred to as “the tax”) as it applies to taxable matters domestically, to imported goods, and to incidental bus transportation engaged in by a foreign operator on Czechoslovak territory.

**Section 2  
Definition of Basic Terms**

1) For purposes of this law, the following are considered to be taxable matters:

a) The delivery of goods, of construction projects, and the transfer of real estate, except for land parcels, which involve a change in ownership rights or in management rights;

b) The rendering of services;

c) The transfer or utilization of rights based on industrial or other mental ownership, the granting of rights to utilize an item or utilizable property value, as well as the granting of technical or other economically utilizable knowledge (hereinafter referred to as “the transfer and utilization of rights”) within the framework of entrepreneurial activity.<sup>1</sup>

2) For purposes of this law:

a) Goods are understood to be material property, including thermal and electric energy, gas, and water; money is not considered to be goods;

b) Legal tender bank notes and coins of Czechoslovak or foreign currency, as long as they are not sold for numismatic purposes at a price higher than their nominal value or at a price which is higher than the recalculated nominal value in terms of Czechoslovak currency according to the foreign exchange rate published by the State Bank of Czechoslovakia; bank notes and coins whose validity has been terminated, but which can be exchanged for valid bank notes and coins, are also considered to be valid;

c) Services are considered to be activities or materially capturable results of activities, with the exception of goods;

d) Sales are understood to be receipts and proceeds resulting from taxable activities, excluding activities which are exempt from the tax obligation in accordance with Section 24, reduced by the amount of the tax;

e) The tax charged at the input point is understood to be the tax payable by the taxpayer to another taxpayer for taxable activities as a part of the price;

f) Tax deduction is understood to be the lowering of one's own tax obligation for taxable activities by the amount of tax charged at the import point;

g) An excessive deduction is understood to be the inflation of a claim for tax deduction over and above the tax obligation of the taxpayer for a given tax period;

h) A tax administrator is considered to be the appropriate territorial financial organ (hereinafter referred to as “the financial organ”),<sup>2</sup> with the exception of the importation of goods and incidental bus transportation accomplished by a foreign operator in Czechoslovakia, in which case the tax administrator is the customhouse;

i) An automobile is considered to be a personal automobile designed for and used in passenger transportation.

**Section 3  
Individuals Who Are Obligated To Pay Tax**

1) Individuals who are obligated to pay the tax in Czechoslovakia are individuals to whose benefit the taxable activity is being accomplished and, in the case of the importation of goods, individuals for whom goods are to be released unless the law stipulates otherwise.

2) In the case of incidental bus transportation, accomplished by a foreign operator on the territory of Czechoslovakia, the operator is obligated to pay the tax.

**PART TWO  
APPLICATION OF THE TAX TO TAXABLE  
ACTIVITIES IN CZECHOSLOVAKIA**

**CHAPTER I  
Tax Entities**

**Section 4  
Persons Subject to Taxation**

Persons subject to taxation include individuals and legal entities who engage in taxable activities within the framework of entrepreneurial actions.

**Section 5  
Taxpayers**

1) Taxpayers are persons subject to taxation who are registered with the appropriate financial organ.

2) Persons subject to taxation whose sales volume for the preceding three calendar months exceed 1.5 million korunas [Kcs] are obligated to register in accordance with the laws of the national councils regulating the administration of taxes and fees at the latest by the end

of the calendar month following the month in which their sales volume exceeded the above amount. Taxpayers may request cancellation of their registration no sooner than upon the expiration of one year from the date of registration, provided their sales volume for the previous three months did not exceed Kcs1.5 million and if, at the same time, their sales volume for the preceding 12 months did not exceed Kcs6 million.

3) Persons subject to taxation whose sales volume does not achieve the amount outlined in Paragraph 2 may register as taxpayers at their own request. They can apply for cancellation of this registration at the earliest upon the expiration of one year from the date of registration, as long as their sales volume did not exceed the amounts stipulated in Paragraph 2 above.

4) In the event registration is canceled, the taxpayer is obligated to pay a tax on his material property, with respect to which he had asserted a tax deduction and shall do so according to his status as of the date the registration was canceled. He will list this tax in his tax return for the most recent tax period.

5) If a person subject to taxation registers as a result of the obligations outlined in Paragraph 2 or at his own request according to Paragraph 3, he is entitled to assert a claim for a tax deduction pertaining to material property on which that person has paid tax. The tax deduction may not be asserted in the case of personal automobiles. The claim is asserted in the tax return for the first taxation period following the date of registration.

6) Persons subject to taxation who were obliged to register, but did not fulfill this obligation, are considered to be taxpayers as of the day this obligation was to be fulfilled.

#### **Section 6 Persons Having a Special Relationship With the Taxpayer**

1) Persons who have a special relationship toward the taxpayer are considered to be the following for purposes of this law:

a) Persons who are the statutory organ of the taxpayer or a member of the taxpayer's statutory organ, as well as persons directly subordinated to him;

b) Members of the oversight councils of taxpayers;

c) Persons having control over the taxpayer, principal stockholders and members of boards of directors of commercial corporations;

d) Persons who have a special relationship with private individuals listed under Letters a) through c) above;

e) Legal entities, in which one or another of the persons listed under Letters a), b), and c) has a share in the basic capitalization which exceeds 10 percent;

f) Principal stockholders of the taxpayer and any kind of legal entity under their control.

2) Persons who have a special relationship with the private individuals listed in the provisions under Paragraph 1, Letter d), above are next of kin,<sup>3</sup> and persons living with individuals listed under Paragraph 1, Letter d), in a common household for a period of at least one year and who, for that reason, are taking care of a common household or are dependent upon that person, uncles, aunts, nephews, nieces, as well as cousins who have common grandparents.

3) According to this law, control over the taxpayer is understood to be the ownership of more than 50 percent of his securities or other share components. A principal stockholder is understood to be the owner of more than 10 percent of the securities or other share components.

#### **CHAPTER II Object of Taxation and the Place of a Taxable Activity**

##### **Section 7 Object of the Tax**

1) The object of the tax includes all taxable activities performed for a fee as well as free of charge, including payments in kind in Czechoslovakia, so long as this law does not stipulate otherwise.

2) For purposes of this law, taxable activity is considered to be even activity accomplished by the taxpayer for individuals having a special relationship to the taxpayer, for the taxpayer's own requirements, and for purposes having nothing to do with business activities.

##### **Section 8 Location of Taxable Activities**

1) In the case of goods deliveries, the location of a taxable activity is as follows:

a) The location of the goods at the time the transport or dispatch of the goods is initiated, provided the delivery of goods is connected with transportation or dispatching of goods; it makes no difference who is handling the transportation or dispatching of the goods in question;

b) The location where the goods are installed or assembled, if the delivery of goods is connected with their installation or assembly;

c) The location of the goods at the time delivery is accomplished, if delivery of the goods is accomplishable without transportation or dispatch.

2) In the event of the transfer of real estate or the delivery of construction projects, the location of the taxable activity is the place where the real estate or the construction project is located.

3) In the event of the rendering of services and in the event of the transfer and utilization of rights, the location of the taxable activity is as follows:

a) The place at which the individual providing the service or accomplishing the transfer and utilization of rights has his domicile or has a permanent operating facility in which services are provided; if there is no seat or permanent facility, then the location is considered to be the location of his domicile or possibly the place where he normally stays;

b) The place where the real estate or the construction project is located; in the case of services pertaining to these matters, including services provided by real estate offices, appraisers, and services of architects and construction superintendent services;

c) The location at which transportation is initiated, in the event of transport services;

d) The place where these services are actually provided in the case of services having to do with cultural, artistic, sports, scientific, educational, entertainment, and similar activities, including the brokering and organizing of these activities and any secondary services.

### **CHAPTER III** **Accomplishment of a Taxable Activity,** **Development of a Tax Obligation,** **and Execution of Tax Documents**

#### **Section 9** **Accomplishment of a Taxable Activity**

1) A taxable activity is considered to have been accomplished:

a) Upon the sale of merchandise according to a purchase contract<sup>4</sup> on the day of delivery; in the remaining cases, on the day the goods were taken over or paid for, whichever comes first;

b) Upon the transfer of real estate, effective on the day of ownership acquisition or on the day the transfer of management rights is effected;

c) On the rendering of services, on the day they are provided or paid for, effective on whichever day comes first;

d) Upon the transfer and utilization of rights, on the day the contract is effective;

e) Upon the accomplishment of a taxable activity without paying a fee, on the day listed in the contract, on the day the goods are taken over or services rendered, whichever comes first;

f) Upon the accomplishment of a taxable activity to the benefit of individuals having a special relationship with the taxpayer, for the taxpayer's own requirements, and for purposes having nothing to do with the business activities involved, as of the day listed in the document dealing with the use of such goods or services;

g) In all other cases not listed under Letters a) through f) above, on the day of payment.

2) Taxable activities accomplished through the means of automatic vending machines or other similar devices which are activated by the insertion of coins, bank notes, stamps, or other means of payment replacing money are considered to have been accomplished as of the day the taxpayer withdraws money or stamps from the machine or determines the magnitude of the sale by another method.

3) In the event of rental agreements<sup>5</sup> and agreements involving specific tasks<sup>6</sup> and in all remaining cases in which compensation takes the place of regularly performed repeat activities or partial fulfillment during the life of the contract, each repeated fulfillment or partial fulfillment is considered to be an independent taxable activity. In such a case, the taxable activity is considered to have been accomplished on the day listed in the contract or as a result of payment for each repeat fulfillment or partial fulfillment, effective on whichever day comes first.

4) In the event of the delivery of thermal and electric energy, gas, and water, payment for which is made in the form of regular deposits, the taxable activity is considered to have been accomplished effective the day by which the deposit was to be paid according to the terms of the agreed-upon contract.

5) In the event of the purchase of a rented item, a taxable activity is considered to have been accomplished effective the day the contract calls for the first payment of the rental. If the object of the purchase involves goods, real estate, or a construction project, the value of which exceeds Kcs1 million, then the individual rental payments are considered to be the taxable activity. In this case, taxable activity is considered to have been accomplished as of the day the contract calls for payment of the rental or as of the day the rental is actually paid, whichever comes first.

#### **Section 10** **Development of the Tax Obligation**

1) The tax obligation develops as of the day the tax document is executed covering a taxable activity, as long as the law does not stipulate otherwise.

2) In accomplishing a taxable activity in accordance with Section 9, Paragraph 1, Letter f), above, a tax obligation develops as of the day the document covering utilization is executed.

3) In accomplishing a taxable activity without payment of a fee according to Section 9, Paragraph 1, Letter e), above, a tax obligation develops as of the day this activity is accomplished.

4) In the case of the delivery of goods, the rendition of services, the transfer of real estate, or the transfer and utilization of rights to individuals who are not taxpayers, a tax obligation develops as of the day the taxable activity is accomplished.

### **Section 11 Keeping of Records for Taxation Purposes**

- 1) The taxpayer is obligated to keep records which list data which are decisive in determining the tax.
- 2) The taxpayer is obligated to keep records of sales involving taxable activities.

### **Section 12 Execution of Tax Documents and Their Content**

1) The taxpayer is obligated to execute a tax document for each and every taxable activity performed to the benefit of another taxpayer and must do so, at the latest, within 15 days from the day this activity was accomplished.

2) The tax document must contain the following information in particular:

a) The trading name, seat, place of business, or possible domicile, the identification and tax registration number of the taxpayer who is accomplishing a taxable activity;

b) The trading name, seat, place of business, or possible domicile, the identification and tax registration number of the taxpayer to whose benefit the taxable activity is being performed;

c) The appellation, quantity of goods, or extent of the taxable activity;

d) The date of document execution;

e) The price, exclusive of tax;

f) The amount of tax.

3) If parts of the taxable activity include goods or services having different tax rates or if they are exempt from taxation, the tax document must contain the amount of the price and the amount of the tax separately according to the tax rates which are applicable or cite any exemption from tax.

4) Taxpayers are obligated to retain all tax documents which are decisive in determining the tax for a period of 10 years from the end of the calendar year in which the tax obligation was developed. This provision cannot be effected by any provisions of a special regulation.<sup>7</sup>

### **Section 13 Tax Credits and Debits**

1) If the tax base is to be amended according to Section 15, the taxpayer who is accomplishing a taxable activity shall provide the taxpayer to whose benefit the taxable activity is being accomplished with a tax credit or a tax debit, at the latest within 15 days following the adjustment of the tax base.

2) A tax credit is a tax document which is used to adjust the amount of tax when the price for a taxable activity is lowered.

3) A tax debit is a tax document which adjusts the amount of tax where the price of a taxable activity was increased.

4) Both the tax credit and the tax debit shall contain the data listed in Section 12, Paragraph 2, as well as the following:

a) In the case of a tax credit, the date on which the original tax document was executed, the difference between the original and the reduced price for the taxable activity, excluding the tax and surtax payable;

b) In the case of a tax debit, the date on which the original tax document was issued, the difference between the original and the increased price for the taxable activity, and the surtax payable.

## **CHAPTER IV Tax Base**

### **Section 14 Tax Base and Its Computation**

1) The basis for computing the tax is the price<sup>8</sup> for a taxable activity which does not contain the tax, provided this law does not stipulate otherwise.

2) In the event the price for a taxable activity is not captured in the contract, the decisive price is the normal price without the tax.

3) In the event the taxable activity is subject to the consumer tax<sup>9</sup> or perhaps to another tax or a fee in accordance with special regulations,<sup>10</sup> the tax base shall include even these taxes and fees.

4) If the taxpayer reduces the price for a taxable activity, then the tax base is reduced by the amount of this reduction.

5) If the taxable activity is accomplished to the benefit of a person having a special relationship with the taxpayer and is accomplished without payment or if the payment is lower than the standard price, the tax base is computed on the basis of the normal price without the tax.

6) The tax base involved in the purchase of a rented item is the cost of the item which would have been agreed upon in the case of the purchase contract, at a minimum it is at the regular price without the tax, with the exception of cases in which the price excluding the tax of merchandise, real estate, or construction projects which are the object of the purchase exceeds Kcs1 million. In such a case, the tax base is the rental minus the tax, reduced by the amount ascribed to financial activities.

7) The tax base in the case of a lower or higher price is the difference between the original price and the price following the adjustment.

8) The tax base involved in the sale of merchandise or real estate at public auction is the auction price, reduced by the amount of tax.

**Section 15  
Adjustment to the Tax Base**

- 1) The taxpayer may adjust the tax base as follows:
  - a) As a result of canceling or returning the entire or partial taxable activity, as long as no fee has been paid for it or as long as it has not been returned;
  - b) In the case of a price change on the basis of a change in qualitative, delivery, and other conditions agreed upon for the taxable activity.
- 2) The difference between the new and adjusted tax base is considered to be an independently executed taxable activity which is subject to taxation within the taxation period in which the tax credit or the tax debit was issued as it pertains to this taxable activity.
- 3) The provisions of Paragraphs 1 and 2 apply only to those individuals who were taxpayers at the time the tax obligation was developed with respect to the original activity, prior to the tax base adjustment.

**CHAPTER V  
Tax Rates and Tax Computation**

**Section 16  
Tax Rates**

- 1) The tax rate for merchandise is 23 percent. With respect to goods listed in Attachment No. 1, which is an inseparable component of this law, and with respect to thermal energy, the tax rate is 5 percent.
- 2) For purposes of correctly classifying goods according to the numerical code listed in Attachment No. 1 of this law, the tax administrator shall recognize the classification of merchandise performed by organs of the Customs Administration.
- 3) The tax rate for services is 5 percent. With respect to services listed in Attachment No. 2, which is an inseparable component of this law, the tax rate is 23 percent.
- 4) The tax rate for real estate, including construction projects classified in accordance with special regulations<sup>11</sup> into appropriate categories, is 5 percent.
- 5) The tax rate in the case of transfers and utilization of rights is 5 percent, with the exception of rentals in which the rented items are returned to the lessor upon termination of the rental agreement, in which case the tax rate is 23 percent.
- 6) The tax rate for services classified according to special regulations<sup>12</sup> into appropriate disciplines such as the implementation of bulk-buying functions involving agricultural and forestry products, sales and supply functions (including the warehousing economy), foreign trade activities and domestic trade activities is the same as the tax rate applicable for delivered goods to which the listed activity pertains.

- 7) The tax rates are uniform for the entire territory of the Czech and Slovak Federal Republic.

**Section 17  
Computing the Tax**

- 1) The taxpayer is obligated to compute the tax himself.
- 2) The tax is computed as the product of the tax base and the appropriate tax rate, divided by 100.
- 3) If the fee for a taxable activity is expressed in foreign exchange,<sup>13</sup> it is recomputed to Czechoslovak currency according to the rate of exchange involving the sale of currency, as published by the State Bank of Czechoslovakia, and valid on the day the tax obligation developed.
- 4) If the object of the taxable activity involves goods as a set of items, where the individual items making up the set are subject to varying rates, the tax rate used is that for the item which sets the substantial character of the goods involved.
- 5) In the case of the sale of merchandise or real estate at public auction, the tax is computed as a share, the numerator of which consists of the auction price multiplied by the appropriate tax rate and the denominator of which represents the sum of the number 100 and the appropriate tax rate.
- 6) If the provision of services is connected with the delivery of goods and the price of these services, excluding the tax, exceeds 20 percent of the total price without the tax for the taxable activity, the delivery of the goods is taxed separately from the services rendered.
- 7) If the rendering of services is connected with the delivery of goods and the price of these goods, excluding the tax, exceeds 20 percent of the overall cost minus the tax for the taxable activity, then the delivery of goods is taxed separately from the services rendered.

**CHAPTER VI  
Tax Deduction**

**Section 18  
Entitlement To Claim a Tax Deduction**

- 1) The taxpayer is entitled to a tax deduction, provided he uses the purchased goods, the construction projects, the transferred real estate, the accepted services, or the transferred and utilized rights involved for business activities under conditions stipulated by law.
- 2) The taxpayer is entitled to a tax deduction during the taxation period in which he was billed for the tax at the input point or during the first taxation period following the date of his registration.
- 3) The taxpayer is not entitled to a tax deduction if he does not document his entitlement to a deduction of the tax with a tax document or if he uses the accepted taxable activity for his own taxable activities which are exempt from the tax obligation in accordance with Section 24.

## CZECHOSLOVAKIA

4) The taxpayer is not entitled to a tax deduction when purchasing a personal automobile and goods and services connected therewith and when purchasing goods and services for purposes of entertaining others or of making gifts to others. The exclusion of the tax based on a claimed tax deduction must, in this case, be accomplished prior to the possible adjustment of the tax deduction as outlined in Section 19.

5) Paragraph 4 above does not apply to the taxpayer whose business consists wholly or in part of the purchasing and sale or rental of automobiles, where such automobiles are purchased for further sale or rental. Paragraph 4 likewise does not apply to taxpayers whose business activity consists of rendering services involved in public catering, particularly with respect to the purchase of goods destined for such purposes.

6) If the taxpayer sells a personal automobile to another taxpayer and had not asserted his claim to a tax deduction at the time he purchased the vehicle, this sale is exempt from any tax obligation.

7) The taxpayer who is engaged in financial rentals is entitled to a tax deduction for merchandise and real estate which are the object of the purchase contract involving the rented item.

### **Section 19 Method of Asserting the Deduction**

1) If the taxpayer makes use of an accepted taxable activity in part for his own taxable activities for which he is entitled to a tax deduction and in part for taxable activities for which he is not entitled to a tax deduction, the relative portion of the tax deduction is established at an amount corresponding to the overall tax billed at the input point for the appropriate taxation period by multiplying the amount by the coefficient. The coefficient is established as a quotient, the numerator of which represents the sum of the prices exclusive of tax for the taxable activity for which a claim for a tax deduction arises and the denominator represents the total sum of the prices exclusive of tax for all accomplished taxable activities. In computing the coefficient, data for the previous calendar year are used.

2) In the event the method outlined in Paragraph 1 for asserting a tax deduction is used by a newly registered taxpayer, the claim for a tax deduction can be asserted at the earliest upon the expiration of one calendar month following the date of registration. For this purpose, the coefficient is determined on the basis of the cumulative total of prices for this first month. In subsequent months up to the end of the calendar year, the coefficient is determined on the basis of the total of the prices for the preceding months and this is done until the end of the second calendar year from the date of registration. For taxpayers who have registered, at the latest, by 30 June of the current year, the provisions of Paragraph 1 above apply from the beginning of the second calendar year following the date of registration.

3) The taxpayer is not entitled to a tax deduction if the tax for the appropriate taxation period, after adjustments according to Paragraphs 1 and 2 above, is less than 5 percent of the total tax billed for the accepted taxable activities.

4) If the tax base is adjusted in accordance with Section 15, the newly computed tax is subject to the provisions of that section for purposes of deduction.

5) The taxpayer who is selling an enterprise or a part of an enterprise<sup>14</sup> is entitled to a tax deduction amounting to the amount of tax billed for accepted taxable activities which are the object of the sale, with the exception of personal automobiles, for which an entitlement to a tax deduction cannot be asserted in accordance with Section 18, Paragraph 5.

6) The Administration of Federal Material Reserves is entitled to have the deduction returned for the period in which it developed in the case of purchases of goods for the state material reserves and other taxpayers are entitled to such returns involved in the purchase of goods for the "Program 222," within 15 days of presenting their tax returns for this taxation period. The condition is, however, that these purchases will be independently monitored on the account books.

### **Section 20 Adjustment to the Tax for Tax Deduction Purposes**

1) If the tax base is adjusted according to Section 15, a simultaneous adjustment is also made with respect to the tax for purposes of deduction. The tax adjustment is accomplished in the taxation period in which the tax credit or tax debit connected with the tax base adjustment is issued.

2) If the tax base is lowered according to Section 15, the taxpayer accomplishing a taxable activity is entitled to a tax adjustment for purposes of deduction, equal in size to the product of the appropriate tax rate and the amount of difference between the original and the adjusted tax base, divided by 100.

3) If the tax base is increased according to Section 15, the taxpayer in whose benefit a taxable activity was accomplished is entitled to a tax adjustment for purposes of deduction, equal in size to the product of the appropriate tax rate and the amount of difference between the original and the adjusted tax base, divided by 100.

4) The taxpayer is not entitled to a tax adjustment for purposes of deduction if he cannot document it on the basis of a tax credit or possibly a tax debit.

5) The deduction of the tax stipulated in accordance with Paragraphs 2 and 3 above is further subject to the provisions of Section 19.

**Section 21  
Excessive Deductions**

- 1) The taxpayer is entitled to assert an excessive deduction in the taxation period which follows the taxation period in which the claim came into being.
- 2) The assertion of an excessive deduction takes priority over the assertion of a tax deduction which has arisen in the current taxation period.
- 3) If, after its priority assertion, another excessive tax deduction develops, the taxpayer is obligated to carry it over into the next taxation period, provided the law does not stipulate otherwise.
- 4) In the event the taxpayer is entitled to assert more than one excessive deduction in an appropriate taxation period, he shall assert these claims gradually in the sequence in which they came into being.

**Section 22  
Refunding of Excessive Deductions**

- 1) In the event of a carryover of an excessive deduction into the subsequent taxation period and in the event the excessive deduction is not compensated for within two calendar months from the end of the taxation period in which it originated, the taxpayer is entitled to a refund of the tax within 15 days of presenting his tax return for the most immediate taxation period.
- 2) The taxpayer is entitled to a refund on the basis of excessive deduction only to the extent to which there was no compensation computed with respect to the taxpayer's own tax obligation.

**Section 23  
Deduction of the Tax Occasioned by the Purchase of Used Personal Automobiles**

- 1) The taxpayer who is wholly or partially engaged in the purchase and sale of used automobiles is entitled to deduct the tax billed when the vehicles were purchased.
- 2) The taxpayer is entitled to a tax deduction which is computed as a quotient, the numerator of which is the price at which the used automobile was purchased, multiplied by the appropriate tax rate, and the denominator of which represents the sum of the number 100 and the appropriate tax rate.
- 3) If the individual from whom the taxpayer has purchased a used personal automobile is a person who has a special relationship with him, the size of the claim for a tax deduction is established by the same method as that outlined in Paragraph 2 above, except that instead of the price at which the used automobile was purchased the numerator shall list its normal price, including the tax.

**CHAPTER VII  
Exemption From Tax Obligation**

**Section 24**

- 1) The following taxable activities are exempt from the tax obligation, under conditions stipulated in Sections 25 through 37:
  - a) Postal services (Section 25);
  - b) Radio and television broadcasting (Section 26);
  - c) Financial activities (Section 27);
  - d) Insurance industry (Section 28);
  - e) Conveying and renting of land parcels and structures (Section 29);
  - f) Education and training (Section 30);
  - g) Health services and related goods (Section 31);
  - h) Social assistance (Section 32);
  - i) Services rendered by organs of state administration and territorial self-administration and by the courts (Section 33);
  - j) Lotteries and other similar games (Section 34);
  - k) Delivery of reusable packaging materials (Section 35);
  - l) Sale of an enterprise (Section 36);
  - m) Activities of a nonprofit character (Section 37).
- 2) If the taxpayer accomplishes a taxable activity which is exempt from the tax obligation, he is not entitled to a tax deduction billed at the input point, provided this law does not stipulate otherwise.

**Section 25  
Postal Services**

For purposes of this law, the following are understood to be postal services:

- a) Postal transfer activities:<sup>15</sup>
  1. Letter mail,
  2. Parcel post,
  3. Postal money orders;
- b) Other postal services:<sup>16</sup>
  1. Payment and billing contacts,
  2. Handling of retirement services,
  3. Concentrated encashment of payments made by the population, including radio and television services,<sup>17</sup>
  4. Wagering services,

5. Remaining activities which are part of the services provided by the postal authorities.

### **Section 26 Radio and Television Broadcasting**

Radio and television broadcasting accomplished by operators in accordance with the law<sup>18</sup> is exempt from the tax obligation, with the exception of the broadcasting of advertisements and sponsored programs or portions thereof.

### **Section 27 Financial Activities**

For purposes of this law, financial activities are understood to be the following:

- a) Granting of credits;
- b) Investing in securities for one's own account;
- c) Financial rentals;
- d) Payments contacts and billing;
- e) Issuing payments media, for example, payment cards, travelers checks;
- f) Granting of bank guarantees in accordance with a special regulation;<sup>19</sup>
- g) Opening of letters of credit according to a special regulation;<sup>20</sup>
- h) Handling of encashment functions;<sup>21</sup>
- i) Trading for one's own account or for the account of a client:
  - 1. With foreign exchange,
  - 2. In the area of time-dependent trades (futures) and options, including exchange rate and interest rate trades,
  - 3. In transferable securities;
- j) Brokering trades involving securities or foreign exchange (financial brokerage);
- k) Managing securities for a client for his account;
- l) Money-changing activities;
- m) Operations having to do with money;
- n) Delivery of gold<sup>22</sup> to the State Bank of Czechoslovakia.

### **Section 28 Insurance Industry**

For purposes of this law, the following activities undertaken by insurance institutions are defined as insurance activities:

- a) Arranging insurance coverage;
- b) Administering insurance coverage;

c) Providing settlement on the basis of insurance events;

d) Brokering insurance coverage;

e) Hedging, that is to say, sharing the risk arising in conjunction with the operation of the insurance business;

f) Activities intending to support and expand the insurance industry and intended to provide assurance that obligations will be fulfilled;

g) Activities aimed at forestalling damage (damage prevention).

### **Section 29 Conveying and Renting of Land Parcels and Structures**

1) The conveyance of structures, with the exception of incompletely structures and with the exception of conveyance accomplished within two years following the warranty inspection approval of a structure, is exempt from the tax obligation.

2) The renting of land parcels and structures, including the renting of apartments and nonresidential areas, is exempt from the tax obligation with the following exceptions:

- a) Housing services classified as an output according to a special regulation<sup>23</sup> in the appropriate category;
- b) Renting of land parcels for purposes of parking motor vehicles;
- c) Renting of permanently installed facilities and machines;
- d) Renting of safety deposit boxes.

3) The taxpayer who rents land parcels or structures to other taxpayers for purposes of business activities may decide whether the rental is exempt from the tax obligation or whether it will be subject to taxation. He shall notify the appropriate financial organ of his decision.

### **Section 30 Education and Training**

1) For purposes of this law, the following are understood to be education and training activities:

a) Education and training activities provided by basic schools, basic artistic schools, training centers, specialized middle school training centers, and centers for practical training, gymnasiums, midlevel specialized schools and specialized schools,<sup>24</sup> advanced schools,<sup>25</sup> and preschool facilities and kindergarten facilities,<sup>26</sup>

b) Activities conducted for purposes of retraining, which are supported by authorized educational training institutions;<sup>27</sup>

2) Tax exemption also applies to the delivery of goods within the framework of the educational and training activities undertaken by persons listed in Paragraph 1 above.

### **Section 31 Health Services and Related Goods**

- 1) Health care services which are classified as outputs according to a special regulation<sup>28</sup> in appropriate categories, provided by authorized entities<sup>29</sup> and outlined in special regulations,<sup>30</sup> are exempt from the tax obligation.
- 2) The delivery of goods and the provision of services by authorized entities in conjunction with health service outputs as outlined in Paragraph 1 above, including the sale of orthopedic and prosthetic products for cash, with the exception of the sale of medicines and other products for cash without a doctor's prescription, are exempt from tax.
- 3) Health insurance, in accordance with special regulations,<sup>31</sup> is exempt from the tax.

### **Section 32 Social Assistance**

Social security services which are classified as outputs according to a special regulation<sup>32</sup> into the appropriate category, which are provided according to a special regulation,<sup>33</sup> without regard as to who provides such services, are exempt from the tax.

### **Section 33 Services Rendered by Organs of State Administration and Territorial Self- Administration and by the Courts**

The provision of services by organs of state administration and territorial self-administration are exempt from tax, as long as they are subject to administrative fees,<sup>34</sup> and the same exemption applies to the courts, to the extent to which they are subject to court fees.<sup>35</sup>

### **Section 34 Lotteries and Other Similar Games**

Lotteries and other similar games<sup>36</sup> are exempt from the tax.

### **Section 35 Delivery of Reusable Packaging Materials**

The delivery of reusable packaging materials, with the exception of its delivery by the manufacturer to the initial purchaser, is exempt from the tax.

### **Section 36 Sale of an Enterprise**

The sale of an enterprise or a part thereof<sup>37</sup> to the taxpayer is exempt from the tax.

### **Section 37 Activities of a Nonprofit Character**

The tax obligation does not apply to activities of a nonprofit character, particularly the activities of endowments, associations, physical or legal entities, budgetary and contributory organizations, state funds, health funds, social funds, employment funds, national property funds, and land parcel funds, provided they are not engaged in business activities.

## **PART THREE TAXATION PERIOD AND THE ADMINISTRATION OF THE TAX WITHIN CZECHOSLOVAKIA**

### **Section 38 Taxation Period**

- 1) The basic taxation period is the calendar month, provided this law does not stipulate otherwise.
- 2) If the sales volume of the taxpayer for the previous calendar year or if the anticipated annual sales volume is less than Kcs10 million, then the taxation period is the calendar quarter.
- 3) If the sales volume of the taxpayer for the previous calendar year or if the anticipated annual sales volume is greater than Kcs100 million, then the taxpayer is obligated to pay a deposit of 50 percent of the tax paid during the previous taxation period to cover his obligation.
- 4) The taxpayer who is subject to the provisions of Paragraph 2 may elect the calendar month to be his taxation period and notify the appropriate financial organ of this fact. A change in the taxation period can be accomplished at the beginning of the first month following expiration of the calendar quarter. The taxpayer is bound by his decision until at least the end of that calendar year.
- 5) When business activity is being newly started, the first taxation period is as follows:
  - a) According to Paragraph 1—the calendar month in which the person was registered as a taxpayer and the subsequent calendar month;
  - b) According to Paragraph 2—the calendar quarter in which the person was registered as a taxpayer.

### **Section 39 Payment of Tax**

- 1) The tax is payable for the taxation period at the latest within 15 days following the termination of that period, with the exception of the tax applied to imported goods and to incidental bus transportation accomplished by a foreign operator in Czechoslovakia.

2) A deposit to cover the tax obligation is payable by the end of the current calendar month and the overall tax obligation is payable within 15 days following the end of the taxation period.

#### **Section 40 Tax Return**

The taxpayer is obligated, within 15 days following the end of the taxation period, to present his tax return by a method stipulated by the laws of the national councils.

#### **Section 41 Registration and Reporting Obligation**

The procedure for registration and the reporting obligation is outlined in Section 5 of this law and in the laws of the national councils.

#### **Section 42 Penalties and Fines**

1) The difference between the tax computed in the tax return and the actual tax obligation is subject to penalties of 100 percent if the financial organ finds that this difference exists and subject to a fine of 20 percent if the taxpayer himself finds that this difference exists and amends his tax return for the next most immediate taxation period.

2) In the event the tax has not been paid on time, the taxpayer is obligated to pay a penalty of 0.1 percent on the tax owed for each day of delay, beginning on the day following the day on which the tax is due, until the day the tax is paid. This applies even in the case where the taxpayer failed to pay penalties as outlined in Paragraph 1 above on time.

3) The method for assessing penalties and fines and their recovery is stipulated in the laws of the national councils on the administration of taxes and fees.

4) If the taxpayer has not submitted his tax return on time, the financial organ may impose a fine of 10 percent of the tax obligation for the appropriate taxation period to which the tax return pertains, but no less than Kcs5,000.

5) If the taxpayer has not met his obligation to register properly and on a timely basis, or if he has not done so with respect to his reporting obligation, the financial organ may impose a fine of up to Kcs1 million, but no less than Kcs5,000.

#### **Section 43 Tax Proceedings**

Proceedings with respect to tax matters, including penalties and fines, are subject to the laws of the national councils, as long as this law does not stipulate otherwise.

### **PART FOUR APPLICATION OF TAX TO IMPORTS AND EXPORTS**

#### **Section 44 Application of Customs Regulations**

For purposes of applying the tax on imports of goods, the provisions of customs regulations are applicable, as long as this law does not stipulate otherwise.

#### **Section 45 Importation of Goods**

1) Imported goods, which are understood to be the following, are subject to taxation:

a) Goods released for general circulation<sup>38</sup> in Czechoslovakia;

b) Reimported goods which were released to registered circulation<sup>39</sup> abroad for purposes of being processed, modified, or repaired;

c) Reexported goods which were released to registered circulation in Czechoslovakia for purposes of being used temporarily.

2) In the case of imported goods, the tax obligation develops on the day the state is entitled to collect customs duties.<sup>40</sup>

3) The entitlement to a tax deduction involved in the importation of goods is asserted by the taxpayer according to the provisions of Part Two, Chapter VI, of this law, and he does so in his tax return for the appropriate taxation period in which the tax was billed.

4) Imported goods are exempt from the tax, provided they are exempt from customs duty,<sup>41</sup> with the following exceptions:

a) Goods destined for scientific, research, educational, training, cultural training, investigative, therapeutic, and official purposes and goods destined to support defense capabilities and security;

b) Religious objects;

c) Customs duty exemptions granted within the framework of a general system of customs preferences<sup>42</sup> or based on international agreements customs unions or free-trade areas.<sup>43</sup>

5) The tax documentation in the case of imports is the written proposal for a customs proceedings or another document confirming that the goods have been released.

#### **Section 46 Tax Base and Tax Computation for Imported Goods**

1) The tax base for imported goods according to Section 45, Paragraph 1, Letters a) and b), above is the sum total of the following:

a) The basis for assessing customs duties;

- b) The amount of customs duty and fees collected by customhouses at the time the goods are imported;
  - c) Any appropriate consumer taxes.
- 2) In the case of goods imported according to Section 45, Paragraph 1, Letter c), the tax for each started month in which the goods are in registered circulation within Czechoslovakia amounts to 3 percent of the tax which should be assessed if these goods were released into free circulation in Czechoslovakia at the moment of their release into registered circulation within Czechoslovakia. A tax so assessed may not be higher than that tax which would be assessed in the event the goods were released into free circulation in Czechoslovakia at the moment of their release into registered circulation within Czechoslovakia.
- 3) Imported goods are subject to the tax rates listed in Section 16.

#### Section 47 Export of Goods

- 1) Goods exported abroad by the taxpayer are exempt from a tax obligation, to the extent to which they are not goods exempt in accordance with Section 24.
- 2) For purposes of this law, the export of goods is accomplished if the goods are released to free circulation abroad and the final shipment of goods to a foreign country is confirmed.
- 3) The taxpayer is entitled to deduct the tax on exported goods according to Sections 18 through 22, as long as he is not considered to be the authorized exporter, to whom the provisions of Section 22, Paragraph 1, do not apply.
- 4) For purposes of this law, the following are considered to be authorized exporters:

- a) The taxpayer whose sales volume involving export of goods in the previous calendar year exceeded Kcs5 million;
- b) The delivery of goods for export amounting to at least 20 percent of the total sales volume in the preceding year; in the event the taxpayer initiated his business undertaking during the course of the calendar year, the sales volume is recomputed as of 31 December to cover the entire calendar year.
- 5) An authorized exporter is entitled to a refund of any excessive tax deduction applicable to exported goods for the taxation period and can assert this entitlement within 15 days of presenting his tax return for the appropriate taxation period.
- 6) An authorized exporter who is simultaneously also a manufacturer of the exported goods is entitled to a refund of a proportional tax billed at the input point during the taxation period. This amount is computed as the sum of the overall tax billed at the input point and the coefficient. This coefficient is determined in the form of a quotient, the numerator of which represents a

sum of the prices, exclusive of tax, for the exported goods and the denominator of which represents the sum of the prices, excluding the tax, for the taxable activity, with the exception of taxable activities exempt from the tax obligation according to Section 24. In computing the coefficient, the data for the appropriate taxation period are used.

- 7) The refund of the tax billed at the input point according to Paragraphs 5 and 6 above for the taxation period may not exceed the overall tax deduction for exported goods. In the event procedures are implemented in accordance with Section 22, the excessive deduction is reduced by the amount of the tax refund.
- 8) The tax document in the case of exports of goods is the written proposal for a customs hearing.
- 9) The Federal Ministry of Finance, in agreement with the Federal Ministry of Foreign Affairs, shall regulate, by decree, the special method for applying the tax for a taxable activity rendered in behalf of individuals who are citizens of other states who are enjoying the advantages outlined in international treaties which are binding upon the Czech and Slovak Federal Republic and which have been published in SBIRKA ZAKONU [Collection of Laws].<sup>44</sup>
- 10) The Federal Ministry of Finance shall regulate, by decree, the special method used for applying the tax for a taxable activity performed for individuals upon the occasion of their crossing the state borders of the Czech and Slovak Federal Republic.

#### Section 48 Rendering of Services and the Transfer and Utilization of Rights to Foreign Countries

- 1) For taxation purposes, the rendering of services and the transfer and utilization of rights to foreign countries is considered just like the export of goods according to Section 47, Paragraphs 1, 3, 4, 5, 6, and 7.
- 2) For purposes of Paragraph 1, the provision of financial and insurance activities to a foreign country is not considered to be an activity exempt from tax obligation according to Section 24. In setting the amount of deduction, the procedure is the same as that outlined in Section 19.
- 3) The provision of services to a foreign country is also understood to be the provision of services in Czechoslovakia, if the services:
  - a) Pertain exclusively to real property located abroad;
  - b) Are rendered to a person exclusively in conjunction with that person's business activities abroad;
  - c) Pertain exclusively to goods imported to Czechoslovakia for purposes of providing services having to do with these goods and under the condition that these

goods shall be again exported to a foreign country within six months from the day they were originally imported.

#### **Section 49 International Transportation**

- 1) International transportation is exempt from tax.
- 2) The taxpayer engaged in international transportation is entitled to a tax deduction.
- 3) International transportation is understood to be the shipment of goods, money, and the regular transportation of passengers:
  - a) From a place abroad to another place abroad via Czechoslovakia;
  - b) From a place abroad to a place in Czechoslovakia;
  - c) From a place in Czechoslovakia to a place abroad;
  - d) Between two locations in Czechoslovakia as part and parcel of international air transportation.
- 4) Services connected with international transportation are exempt from tax, provided that they are rendered:
  - a) In conjunction with international transportation according to Paragraph 3, Letters b) and c), above;
  - b) By the same entity as the entity engaged in international transportation.
- 5) The provisions of Section 47, Paragraphs 4, 5, 6, and 7, apply to international transportation to the same extent as they apply to the export of goods.

#### **Section 50 Incidental Bus Transportation Accomplished by a Foreign Operator in Czechoslovakia**

- 1) Incidental bus transportation accomplished by a foreign operator in Czechoslovakia is subject to taxation.
- 2) The tax obligation develops as of the day the border of the Czech and Slovak Federal Republic is crossed into domestic territory.
- 3) The tax base is the sum total of the number of transported passengers and the number of kilometers traveled in Czechoslovakia.
- 4) The tax rate is Kcs0.05 per person and kilometer traveled in Czechoslovakia.
- 5) The tax is computed as the product of the tax base and the tax rate.
- 6) The tax is payable by deposit at the time the border of the Czech and Slovak Federal Republic is crossed in the direction of the domestic territory, according to the anticipated number of kilometers traveled, and the billing of the tax is accomplished prior to leaving the territory of the Czech and Slovak Federal Republic.

#### **PART FIVE CONCLUDING, TRANSITORY, AND RESCINDING PROVISIONS**

#### **Section 51 Applying the Tax**

According to this law, the tax is applied to all taxable activities accomplished, beginning on the day the law becomes effective, as long as this law does not stipulate otherwise.

#### **Section 52 Registration of Taxpayers During the Transition to a New Taxation System**

- 1) A person who achieved a sales volume in 1991 valued at Kcs6 million is obligated to register, at the latest, by 30 November 1992, provided his business activities do not cease prior to that time.
- 2) A person whose sales volume is expected to exceed Kcs6 million for the period 1 January 1992 through 30 September 1992 is obligated to register, at the latest, by 31 December 1992. A person whose overall sales volume for the year 1992 will exceed Kcs6 million is obligated to register, at the latest, by 31 March 1993. These provisions do not apply to persons registered in accordance with Paragraph 1 above.
- 3) During the course of one year from the effective date of this law, a person who registered can personally apply to have the registration canceled and can do so under conditions stipulated by the laws of the national councils. In such cases, the provisions of Section 5, Paragraph 3, do not apply.

#### **Section 53 Application of the Tax to Material Property, Excluding Supplies, Involved in the Transition to the New Taxation System**

- 1) If the records of a taxpayer show that, at the time this law becomes effective, he has material property, excluding supplies, acquired legally at prices including the sales tax, he is entitled to deduct this tax from the sales volume, but the tax is reduced by the amount of tax corresponding to the relative portion of the adjustments made in accordance with special regulations.<sup>45</sup> The entitlement to deduct the tax does not arise if it involves sales tax paid as a result of the purchase of personal automobiles. The taxpayer develops an entitlement to deduct this tax according to the provisions of this law, provided that he:
  - a) Acquired the material property, exclusive of supplies, after 1 January 1992;
  - b) Has at his disposal the documents clearly showing the amount of sales tax paid;
  - c) Performed an overall inventory of the material property, excluding supplies, by 31 December 1992 according to special regulations.<sup>46</sup>

- 2) The tax deduction is asserted in the tax return submitted for the first taxation period following 1 January 1993.
- 3) The entitlement to deduct the tax according to Paragraph 1 above is judged in accordance with the provisions of Part Two, Chapter VI, of this law.

#### **Section 54**

##### **Application of the Tax in the Case of Supplies as a Result of the Transition to the New Taxation System**

1) If the taxpayer, at the time this law becomes effective, has warehoused goods which he acquired prior to the effective date of this law legally for prices, including the sales tax, with the exception of products subject to the consumer tax, he is entitled to deduct the sales tax, provided that he:

- a) Acquired the goods in question after 1 July 1992;
  - b) Has at his disposal documents clearly showing the amount of sales tax paid;
  - c) Conducted an inventory of these supplies as of 31 December 1992.
- 2) The deduction of the tax is asserted in the tax return filed for the first taxation period following the day this law is effective.
- 3) With respect to goods subject to the consumer tax, with the exception of tobacco products, the taxpayer may assert his entitlement to deduct the sales tax to the extent of 23 percent of the sales tax paid.
- 4) The entitlement to deduct the tax according to Paragraph 1 above is judged in accordance with the provisions of Part Two, Chapter VI, of this law.

#### **Section 55**

##### **Method of Applying the Deductions Involved in a Combination of Activities in Making the Transition to the New Taxation System**

In case the method of applying the deduction as outlined in Section 19, Paragraphs 1 and 2, is used in making the transition to the new system of taxation, the entitlement to a tax deduction may be asserted, at the earliest, upon the expiration of one calendar month following the effective date of this law. For this purpose, the coefficient is determined on the basis of the sum total of the prices for this first month. In subsequent months until 31 December 1993, the coefficient is determined on the

basis of the sum total of the prices for the preceding month, beginning 1 January 1993. As of 1 January 1994, provisions of Section 19 apply.

#### **Section 56**

##### **Application of the Tax to Activities Accomplished in Accordance with Contracts Concluded Prior to the Effective Date of This Law**

With respect to contracts concluded prior to the effective date of this law, where the taxable activity was accomplished after the day the law became effective, the provisions of this law apply to the first taxable activity accomplished following the day this law becomes effective. The valid conditions of the contract are considered to be changed to comply with the meaning of this paragraph and the price of the taxable activity listed in the contract is raised or lowered by the amount of tax, to the extent to which the contract itself does not contain language reflecting this change in conditions.

#### **Section 57**

##### **Validity of Existing Regulations**

According to existing regulations, all time limits which began running prior to the day this law is effective, as well as time limits for the assertion of rights which are governed by existing regulations, are considered valid, even if they begin after the effective date of this law.

#### **Section 58**

##### **Rescinding Provisions**

The following are rescinded:

- a) Law No. 73/1952 Sb. on the sales tax, as amended by Law No. 107/1990 Sb.;
- b) Law No. 530/1991 Sb. on the import tax;
- c) Federal Ministry of Finance Decree No. 560/1990 Sb. which implements the law on the sales tax;
- d) Federal Ministry of Finance Decree No. 575/1991 Sb. on the modalities involved in reporting import taxes.

#### **Section 59**

##### **Effectiveness of the Law**

- 1) The provisions of Section 52, Paragraphs 1 and 2, become effective as of 1 July 1992.
- 2) The remaining provisions of this law become effective on 1 January 1993.

## CZECHOSLOVAKIA

**Attachment No. 1**  
**Listing of Goods Subject to a 5-Percent Tax Rate**

Numerical Code	Nomenclature of Goods
01	Live animals
02	Meat and edible meat by-products
03	Fish and crustaceans, mollusks, and other water invertebrates, with the exception of:
030110	Aquarium fish
030265	Sharks
03027000	Livers, hard roe, and milt
0306	Crustaceans, including those without a carapace, either live, fresh, refrigerated, frozen, dried, or salted, or in a salt brine; crustaceans with a carapace, boiled in water or steam, as well as those that are chilled, frozen, dried, salted, or in a salt brine; flours, meals, and pellets made of crustaceans and suitable for human consumption
0307	Mollusks, including those which have been separated from their shells, and which are alive, fresh, chilled, frozen, dried, salted, or in a salt brine; water invertebrates other than crustaceans and mollusks which are alive, fresh, chilled, frozen, dried, salted, or in a salt brine; flour, meal, and pellets made from crustaceans and suitable for human consumption
04	Milk and milk products; bird eggs; natural honey; edible products of livestock origin which are not listed elsewhere or are not included in a category
07	Vegetables, edible plants, roots, and tubers
08	Edible fruit and nuts; citrus rind and melon rind
10	Grain
11	Milling products; mill stock; starches; insulin; wheat gluten
12	Oleaginous seeds and fruits; various seeds and fruit; industrial and medicinal plants; straw and fodder plants
15	Fats and oils of livestock and plant origin; products resulting from rendering them; modified fodder fats; livestock or plant fats
16	Products made from meat and fish or crustaceans, mollusks, or other water invertebrates, with the exception of:
160430	Caviar and caviar substitutes
1605	Crustaceans, mollusks, or other water invertebrates which have been dressed or canned
1701	Granulated sugar or beet sugar and chemically pure sucrose in solid form
1702	Remaining sugars, including chemically pure lactose, maltose, glucose, and fructose in solid form; sugar syrups without additives of aromatic preparations or coloring; synthetic ice, including that mixed with natural honey; caramelized sugar and molasses
1703	Molasses obtained as an extract or refinement of sugar
19	Products made from grain, flour, starches, or milk; fancy baked goods
20	Products made from vegetables, fruit, nuts, or other plant parts
2201	Water, including natural or artificial mineral waters and soda waters, without sugar or other sweeteners and free of aromatic substances; ice and snow
2202	Water, including mineral waters and soda waters with sugar added or with other sweeteners added or aromatic substances added and other nonalcoholic beverages, excluding fruit or vegetable juices listed under 2009
2209	Table vinegar and its substitutes, derived from acetic acid
23	Food industry waste products; prepared fodder, with the exception of:
230700	Wine dregs; raw tartar
23089011	Grape pressings, with a total measurable alcohol content not exceeding 4.3% of the mass and whose volume of dry substance is no less than 40% of its weight
23089019	Other grape pressings
2309	Products used to feed animals
27	Mineral fuels, mineral oils, and products of their distillation; asphaltic materials; mineral waxes, with the exception of:
27060000	Coal tar, brown coal tar, or peat-based tar and other mineral tars, including those which have been dehydrated, partially distilled, including reconstituted tars
2707	Oils and other products of distillation involving high-temperature black coal tar; similar products, in which the weight of the aromatic components predominates over the weight of the nonaromatic components

**Attachment No. 1**  
**Listing of Goods Subject to a 5-Percent Tax Rate (Continued)**

Numerical Code	Nomenclature of Goods
01	Live animals
2708	Pitch and pitch coke made from coal tar or from other mineral tars
270900	Mineral oils and oils made from asphaltic materials, raw
271000	Mineral oils and oils made from asphaltic materials which are other than raw; products which are not listed elsewhere or categorized elsewhere, which contain at least 70% by weight or more of mineral oils or oils made from asphaltic materials, where these products are a substantial part of this product, with the exception of:
27100079	For other purposes—heating oils (5% tax rate)
2712	Vaseline, paraffin, microcrystalline wax (petroleum-based), paraffin sponge, ozocerite, montan wax, peat-bog wax, remaining mineral waxes and similar products, derived synthetically or by another method, including products which have had color added
2713	Petroleum coke, petroleum-based asphalt and other remainders of mineral oils or of asphalt-based oils
2714	Natural bitumen and natural asphalt; bituminous shale and bituminous sands; asphaltites and asphalt minerals
27150000	Asphaltic mixtures on the basis of natural asphalt or natural bitumen, kerosene (petroleum) bitumens, natural tar or pitch from natural tar (for example, asphaltic putty, diluted and similar products)
30	Pharmaceutical products
3209	Paints and lacquers (including enamels and fine enamels) based on synthetic polymers or chemically adjusted natural polymers, dissolved or dispersed in an aqueous medium
38239098	Other—only biological gas
39209990	Other—only foil-type materials made of polyvinyl alcohol
4810	Paper, cardboard, and paperboard, coated on one or both sides with kaolin or another inorganic substance, including these products made with a binder without any kind of other coating or possibly colored on the surface, decorated or printed upon, in roll form or sheet form—made of 100% recycled paper
4817	Envelopes, seals, unillustrated stationery and postcards, made of paper, cardboard, or paperboard; boxes, bags, briefcases, and writing sets containing the requisite materials for correspondence, made of paper, cardboard, or paperboard—made of 100% recycled paper
4818	Toilet paper, handkerchiefs, towelettes for removing makeup, towels, tablecloths, napkins, children's diapers, hygienic tampons, sheets and similar merchandise used in the household for toilet purposes, personal hygiene, and sickroom purposes, garments and their supplements made of paper products, paper stock, cellulose wadding or strips made of cellulose fibers—made of 100% recycled paper
4820	Registers, accounting books, pads (note pads, order pads, receipts), memorandum books, sets of stationery and similar products, copy books, pads of blotting paper, binders (with loose pages or others), pads and file folders, commercial forms, sets of letterex paper (with carbon paper attached), and other school, office, and stationery products, made of paper or cardboard; albums for samples or collections and book covers, made of paper, cardboard, or paperboard—made of 100% recycled paper
4901	Books, brochures, leaflets, and similar printing products, as well as those in individual sheet form
4902	Newspapers, periodicals, and magazines, including those which are illustrated or those containing possible advertisements and inserts
84186991	Absorption heat pumps
87039010	With electric motors—personal automobiles and other motor vehicles designed primarily for the transportation of passengers (with the exception of those listed under No. 8702), including delivery vans and race cars
8713	Wheelchairs for the disabled, including those which are motorized or have another mechanical drive facility
9021	Orthopedic devices and aids, including crutches, therapeutic and surgical belts, and bandages; splints and other devices and requisites required to treat fractures; prosthetic devices and instruments; instruments for the hard-of-hearing and other instruments which are either hand-carried or worn on the body or implanted to compensate for the consequences of some defect or disability
90261051	Flow meters—other
90261091	Flow meters—electronic

The numerical code contains a digraph code of the harmonized system chapter,<sup>47</sup> or the four-digit code of the harmonized system, or the six-digit code of the particular entry in the harmonized system, or an eight-digit code of the combined nomenclature.<sup>48</sup>

**Attachment No. 2**  
**Listing of Services Subject to a 23-Percent Tax Rate**

Numerical Code	Nomenclature of Service
903 1	Restaurant catering
911	Repair and maintenance of machines and installations for production of energy and for mining
912	Repair and maintenance of machines and installations for metallurgical, engineering, and metal-working industries
913	Repair and maintenance of machines and installations for chemical industry
914	Repair and maintenance of machines and installations for consumer and foodstuffs industry
915	Repair and maintenance of tractors, agricultural machines, and installations
916	Repair and maintenance of machines and installations for construction and construction materials industry and its units
917	Repair and maintenance of transport media
918	Repair and maintenance of products of electrotechnical and electronics industry
919	Repair and maintenance of precision engineering products and repair of tools
921	Repair and maintenance of remaining products of engineering and metalworking industry
922	Repair of rubber products (exclusive of footwear)
923	Repair of products produced by woodworking industry
924	Repair of products produced by textile and ready-to-wear industry
925	Repair of products produced by leather-working industry, with exception of:
925 3	Repair of footwear
926	Repair of products destined for cultural consumption and of other industrial products, with exception of:
926 94	Repair and maintenance of orthopedic products and prosthetic products, repair and maintenance of ocular optical products and protective devices
932 2	Highway freight transportation
953	Housing services
954	Tourist services
969	Lending of items destined for long-term consumption, with exception of:
969 7	Services provided by self-service facilities
974	Commercial and brokerage services
975	Lending of machines and installations to organizations

The numerical code contains the sector or the sector group and subgroup found in the Uniform Classification System for Outputs.<sup>49</sup>

#### Footnotes

1. Section 2 of Law No. 513/1991 Sb. on the Commercial Code.
2. CNR [Czech National Council] Law No. 531/1990 Sb. on territorial financial organs; SNR [Slovak National Council] Law No. 84/1991 Zb. [Collection of Laws] on tax organs, as amended by SNR Law No. .../1992 ZB.
3. Section 116 of Law No. 40/1964 Sb., Civil Code, as amended by subsequent regulations.
4. Sections 409 through 475 of Law No. 513/1992 Sb.
5. Section 663 of Law No. 40/1964 Sb.
6. Section 536 of Law No. 513/1991 Sb.
7. Section 32 of Law No. 563/1991 Sb. on accountancy.
8. Section 2 of Law No. 526/1990 Sb. on price.
9. Law No. .../1992 Sb. on the consumer tax.
10. For example: CNR Law No. 565/1991 Sb. on local fees; SNR Law No. 544/1991 Sb. on local fees.
11. Decree No. 124/1980 Sb. on the uniform classification of construction projects and construction work of a production nature, as amended by subsequent regulations.
12. Decree No. 114/1972 Sb. on the introduction and utilization of the uniform classification of outputs, as amended by subsequent regulations—sectors Nos. 941, 942, 943, and 945.
13. Section 1 of Law No. 528/1990 Sb., Foreign Exchange Law, as amended.
14. Sections 476 through 488 of Law No. 513/1991 Sb.
15. Section 2 of Law No. 222/1946 Sb. on the postal service.
16. Section 5 of Law No. 222/1946 Sb.
17. Telecommunications Law.
18. Section 3 of Law No. 468/1991 Sb. on the operation of radio and television broadcasting.

19. Section 313 of Law No. 513/1991 Sb.
20. Section 682 of Law No. 513/1991 Sb.
21. Section 692 of Law No. 513/1991 Sb.
22. Section 2, Letter b), of Law No. 528/1990 Sb.
23. Decree No. 144/1972 Sb. on the introduction and utilization of the Uniform Classification System for Outputs, as amended by subsequent regulations—sector No. 953.
24. Section 2 of Law No. 29/1984 Sb. on the system of basic and middle schools (Education Law), as amended by Law No. 171/1990 Sb.
25. Section 1 of Law No. 172/1990 Sb. on advanced schools.
26. Section 1, Paragraph 2, of CNR Law No. 390/1991 Sb. on preschool facilities and kindergarten facilities; Section ... of SNR Law No. .../... Zb. on ....
27. Section 8 of Czech Republic Ministry of Labor and Social Affairs Decree No. 21/1991 Sb. on more detailed conditions for supporting the requalification of job applicants and employees; Section ... of Slovak Republic Ministry of Labor and Social Affairs Decree No. .../... Zb. on ....
28. Decree No. 114/1972 Sb. on the introduction and utilization of a Uniform Classification System for Outputs, as amended by subsequent regulations—sector No. 964.
29. Law No. 548/1991 Sb. which augments and modifies Law No. 20/1966 Sb. on health care, as amended by Law No. 210/1990 Sb. and Law No. 425/1990 Sb.; Law No. .../1992 Sb. on health care in nonstate health facilities.
30. Czech Republic Government Directive No. .../1992 Sb. which issues the Health Code; Czech Republic Ministry of Health Decree No. .../1992 Sb. on the categorization of medications and health equipment items; Czech Republic Ministry of Health Decree No. .../1992 Sb. which issues a listing of health outputs and their point values; Czech Republic Ministry of Health Decree No. .../1992 Sb. on providing health care in return for payment of fees.
31. CNR Law No. 550/1991 Sb. on universal health insurance; SNR Law No. .../1992 Zb. on obligatory health insurance.
32. Decree No. 114/1972 Sb. on the introduction and utilization of a uniform system of classifying outputs, as modified in subsequent regulations—sector No. 965.
33. Law No. 100/1988 Sb. on social security, as modified by Law No. .../199. Sb.
34. Law No. .../1992 Sb. on administrative fees.
35. Law No. .../1992 Sb. on court fees for proceedings before the Supreme Court of the Czech and Slovak Federal Republic; CNR Law No. 459/1991 Sb. on court fees and extracts from the Criminal Register; SNR Law No. .../1992 Zb. on ....
36. CNR Law No. 202/1990 Sb. on lotteries and other similar games; SNR Law No. 194/1990 Zb. on lotteries and other similar games.
37. Section 476 of Law No. 513/1991 Sb.
38. Section 75 of Law No. 44/1974 Sb., Customs Law, as amended by subsequent regulations.
39. Section 78 of Law No. 44/1974 Sb.
40. Section 46 of Law No. 44/1974 Sb.
41. Section 44 of Law No. 44/1974 Sb.
42. Federal Ministry of Foreign Trade Decree No. 69/1989 Sb. on exempting commercial goods imported from and originating in developing countries from import duties.
43. Government Decree No. 59/1948 Sb. providing temporary validity for the General Agreement on Tariffs and Trade, dated 30 October 1947.
44. Ministry of Foreign Affairs Decree No. 157/1964 Sb. on the Vienna Accords on Diplomatic Contacts; Ministry of Foreign Affairs Decree No. 21/1968 Sb. on the Treaty on the Advantages and Immunities of International Specialized Organizations; Ministry of Foreign Affairs Decree No. 32/1969 Sb. on the Vienna Accords on Consular Contacts; Ministry of Foreign Affairs Decree No. 40/1987 Sb. on the Treaty on Special Missions.
45. Federal Ministry of Finance Decree No. 586/1990 Sb. on writing off capital assets, as amended by Decree No. 345/1991 Sb.
46. Sections 29 and 30 of Law No. 563/1991 Sb.
47. Ministry of Foreign Affairs Decree No. 160/1988 Sb. on the International Treaty in the Harmonized System of Description and Numerical Designation of Goods and the protocol attached thereto.
48. Law No. 44/1974 Sb.
49. Decree No. 114/1972 Sb. on the introduction and utilization of a uniform system of classifying outputs, as amended by subsequent regulations.

#### Law on Consumption Tax

92CH0588A Prague HOSPODARSKE NOVINY  
in Czech 13 May 92 pp 21-22

[“Text” of Consumption Tax Law passed by the Federal Assembly of the Czech and Slovak Federal Republic, dated 16 April 1992]

[Text] The Federal Assembly of the Czech and Slovak Federal Republic has agreed upon the following law:

## PART ONE COMMON PROVISIONS

### Section 1 Introductory Provisions

(1) This law establishes the conditions for taxing hydro-carbon fuels and lubricants, alcohol and spirits, beer, wine, and tobacco products (hereinafter referred to as "selected products") by imposition of consumption taxes (hereinafter referred to as "the tax").

(2) Selected products are taxed once according to this law.

### Section 2 Definition of Terms

For purposes of this law, definition of terms is presented below:

a) The inland area is defined as the state territory of the Czech and Slovak Federal Republic;

b) A foreign country is defined as territory which is not the inland area;

c) The export of selected products is defined as their release into free circulation<sup>1</sup> abroad or into registered circulation<sup>2</sup> for purposes of reprocessing or adjustment and certification regarding their final destination or their temporary shipment abroad;

d) The import of selected products is defined as their release into free circulation in the inland area or into registered circulation in the inland area for purposes of reworking or modification;

e) The tax administrator is defined as the financial office of jurisdiction<sup>3</sup> or the tax office<sup>4</sup> (hereinafter referred to as "financial organs"); in the case of the import of selected products, this is the customhouse;<sup>5</sup>

f) Relinquishment is defined as follows:

1. The physical release of selected products by the taxpayer (Section 3) in the fulfillment of a contractual obligation;<sup>6</sup>

2. The physical release of selected products for further processing, to the extent to which the selected products leave the closed operating premises of the manufacturer;

3. The use of selected products which do not leave the closed premises of the manufacturer in the manufacture of products which are not subject to tax;

4. The use of selected products for their own purposes by the taxpayer, by members of his household<sup>7</sup> and by next of kin,<sup>7</sup> his employees, members, and associates;

5. The use of selected products for purposes of advertising;

6. The use of selected products for purposes which are not directly connected with entrepreneurial activities.<sup>8</sup>

### Section 3 Taxpayers

(1) Taxpayers are defined as all legal and physical entities who produce selected products in Czechoslovakia or who are intended to export or import selected products which have been released.

(2) Taxpayers are also legal and physical entities who make available selected products which are exempt from tax according to Section 8, Paragraph 1, Letter b), for purposes other than those listed in Section 8, Paragraph 1, Letter b).

(3) Additional special provisions having to do with taxpayers are listed in Sections 18, 24, and 34.

### Section 4

(1) The objects of the tax are selected products produced domestically or imported into the domestic area as outlined in the second part of this law.

(2) The tax is not applicable to selected products which have already been taxed once, provided the refund of the tax had not been asserted in accordance with Section 12.

### Section 5 Development of the Tax Obligation

(1) The tax obligation develops

a) In the case of domestic production, effective the day selected products are released by the manufacturer;

b) For imported selected products, on the day on which the customs duty entitlement arises;<sup>9</sup>

c) With regard to selected products exempt according to Section 8, Paragraph 1, Letter b), effective on the day of their release for other purposes than those listed in Section 8, Paragraph 1, Letter b);

d) In the case of domestically produced selected products or those imported into the domestic area, for which a tax refund has been asserted in accordance with Section 12, Paragraph 1, Letter b), effective on the day of their release for other purposes than those listed in Section 12, Paragraph 1, Letter b);

e) Effective on the day of damage compensation or on the day any short delivery is made up or on the day of insurance compensation in the event that damage occurred to the selected products in question prior to the development of the tax obligation according to Letters a) through d).

(2) Additional special provisions having to do with the development of the tax obligation are listed in Sections 20 and 26.

### Section 6 Tax Base

- (1) The basis for the tax is the quantity of selected products listed in the tax document in accordance with Section 10 and expressed in measurable units.
- (2) The measurable units of selected products are listed in Part Two.

### Section 7 Tax Rates

- (1) The tax rates are determined uniformly for the entire territory of the Czech and Slovak Federal Republic.
- (2) The tax rates are listed in Part Two.

### Section 8 Exemption From the Tax

- (1) The following selected products are exempt from the tax:
- a) Imported products, as long as they are not exempt from customs duty,<sup>10</sup> with the exception of the following:
1. Selected products destined for scientific, research, training, educational, cultural educational, investigative, therapeutic, official, and religious purposes and in support of defense capability and security;
  2. Selected products exempt from customs duty within the framework of the general system of customs duty preferences;<sup>11</sup>
  3. Selected products exempt from customs duty within the framework of international agreements regarding the customs union or a free trade area;<sup>12</sup>
- b) Products intended to serve as samples for mandatory testing,<sup>13</sup> for hygienic oversight,<sup>14</sup> for devices intended to counter the incidence and dissemination of communicable diseases and occupational diseases,<sup>14</sup> devices intended to be used as extraordinary measures during epidemics<sup>14</sup> and for research purposes which are exclusively related to the object of the tax involved.
- (2) Additional special provisions having to do with exemption from the tax are listed in Sections 23 and 29.

### Section 9

A claim for exemption from the tax must be asserted in writing at the latest prior to execution of the document certifying the release of the selected products by a domestic manufacturer or at the time a proposal for a customs hearing is submitted<sup>15</sup> in the case of the import of selected products which are subject to the provisions of Section 8, Paragraph 1, Letter b), or Section 8, Paragraph 2.

### Section 10 Completion of Tax Documents

- (1) With regard to domestic manufacture, taxpayers are obligated to execute a tax document on the day selected products are released and the tax document shall contain the following information:
- a) The trading name, seat, and identification number of the taxpayer in the case of legal entities; the name and patronymic of the taxpayer, his trading name (to the extent to which it exists), his domicile, and identification number (if it has been assigned) in the case of individuals;
  - b) The trading name, seat, and identification number of the consumer in the case of legal entities; the name and patronymic of the consumer, his trading name (to the extent to which it exists), his domicile, and identification number (if it has been assigned) in the case of individuals;
  - c) The quantity of selected products in measurable units, their trading designation, their numerical designation,<sup>16</sup> and the numerical code of the nomenclature in the customs rate table according to Sections 22, 28, 33, 37, and 40;
  - d) The amount of tax;
  - e) The date the products were released.
- (2) For purposes of the correct classification of the selected products into the numerical code according to Paragraph 1, Letter c), the tax administrator shall recognize the classifications assigned to the selected products by organs of the Customs Administration.
- (3) In cases outlined in Section 1, Paragraph 1, Letter e), taxpayers are obligated, in the case of domestically produced selected products, to execute the tax document according to Paragraph 1 as of the day the tax obligation is developed, except that, under Letter b), they shall list the word "damage" and under Letter e), the date the damage was compensated for or the day of insurance settlement.
- (4) As long as the document outlined in Paragraphs 1 and 2 fulfills the conditions and modalities called for in special regulation,<sup>17</sup> it is considered to be an accounting document.
- (5) In the event of the release of selected products which are exempt from the tax, the document executed in accordance with Paragraph 1 above must list the fact that this is a tax-free release, and must refer to Section 8, Paragraph 1, Letter b), or Section 8, Paragraph 2.
- (6) In the case of the import of selected products, the proposal for a customs hearing or another document which confirms the release of selected products fulfills the function, for purposes of this law, of a tax document according to Paragraphs 1 and 2 above, and for purposes of the tax return, in accordance with Section 13; in the

## CZECHOSLOVAKIA

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case of exports, these papers fulfill the functions of a document proving that there is a claim for refund of the tax in accordance with Section 12, Paragraph 1, Letter a).

(7) In addition to the above-listed tax documents, taxpayers are obligated to keep records to document their claims for a tax refund in accordance with Section 12, Paragraph 1, Letters b) through d).

(8) Taxpayers are obligated to keep all documents which are decisive in determining the tax for a period of 10 years as of the end of the calendar year in which a tax obligation was developed. This provision remains unaffected by deadlines which are listed in a special law.<sup>18</sup>

### Section 11 Computation of the Tax

(1) Taxpayers are obligated to compute the tax due on released selected products themselves. The tax on imported selected products will be computed by the tax administrator.

(2) The tax is computed by multiplying the tax base by the tax rate as stipulated for the appropriate selected product.

### Section 12 Tax Refund Claim

(1) Taxpayers are entitled to claim a tax refund in the following cases:

a) The export of taxed selected products within the framework of business activities;<sup>3</sup>

b) The purchase of taxed selected products intended for the production of new selected products, which are subject to tax;

c) For returning selected products to the manufacturer when they were not taken over by the customer;

d) In the case of the settlement of claims based on defects in selected products, provided the taxpayer did not receive any consideration for the selected products or in the event they returned this consideration to the customer.

(2) Taxpayers shall assert their claims for a tax refund according to Paragraph 1 for selected products released domestically in their tax return made out according to Section 13, but no later than six months from the day the tax return is presented for the month in which the claim for a tax refund develops. In the event of asserting a claim for a tax refund according to Paragraph 1, Letter a), above, an inseparable part of the tax return is the tax document outlined in Section 10, Paragraph 5, which confirms that the selected products were exported.

(3) The Federal Ministry of Finance, upon agreement with the Federal Ministry of Foreign Affairs, shall regulate, by decree, the conditions for refunding the tax according to Paragraph 1, Letter a), above to taxpayers

who deliver selected products to the nationals of other countries who enjoy the privileges outlined in international agreements by which the Czech and Slovak Federal Republic is bound and which have been published in SBIRCA ZAKONU [Collection of Laws].<sup>19</sup>

(4) The Federal Ministry of Finance shall regulate, by decree, the special method for asserting claims for refunding the tax on selected products made available to persons crossing the state border of the Czech and Slovak Federal Republic.

(5) Taxpayers may assert their claim for a tax refund only before financial organs without regard as to whether the selected products are those released in the domestic area or those which have been imported.

### Section 13

(1) Taxpayers who develop a tax liability or a claim for the tax refund are obligated to present a tax return.

(2) Tax returns are presented by taxpayers on a monthly basis by the 15th day of the month following in which a tax obligation developed. If a tax obligation does not develop within the taxation period or if there is no claim for a tax refund, a tax return is not submitted.

(3) In the case of imports, the function of a tax return is fulfilled by the proposal for a tax hearing or by another document confirming the release of the selected products.

(4) If taxpayers find that the tax return which they have submitted is defective or incomplete and if its amendment has, as a consequence, an increase in the tax obligation, they are obligated to submit supplemental tax returns to the tax administrator without undue delay, listing the taxation period to which that particular supplemental return pertains.

(5) If taxpayers find that the tax return which they have submitted is incorrect or incomplete and that its adjustment has as a consequence the lowering of the tax obligation, they may submit a supplemental tax return to the tax administrator at the latest within six months from the day the tax was paid, listing the taxation period to which that return pertains.

(6) A supplemental tax return must be specifically marked as a supplemental tax return. The supplemental tax return lists only the differences between it and the originally submitted tax return.

### Section 14 Taxation Period, Tax Payment, and Installment Payments

(1) The taxation period is the calendar month.

(2) In the case of domestic production, the tax is paid as follows:

a) In a single payment for the month or

b) In the form of firm deposit payments.

(3) Single payments for the month are made by taxpayers whose monthly tax obligations do not exceed 100,000 korunas [Kcs], at the latest by the 15th day of the month following the month in which the tax obligation was developed. The monthly tax obligation is understood to be the average of the actual monthly tax obligation for the immediately preceding three calendar months.

(4) Taxpayers shall make definite deposit payments as follows:

a) Twice a month if their monthly tax obligation exceeds Kcs100,000, but is less than Kcs2 million;

b) Daily, if their monthly tax obligation exceeds Kcs2 million.

(5) The magnitude of the partial deposit payments outlined in Paragraph 4 is determined by the financial organ, following negotiation with the taxpayer according to the average for the immediately preceding three-month period; the time frame during which the tax obligation developed is taken into account in this case (Section 5).

(6) For taxpayers who make specific deposit payments on a daily basis, the payoff period begins with the 16th day of the month in which the tax obligation was developed and ends on the 15th day of the month following the month in which the tax obligation was developed. Taxpayers are obligated, on the last day of the payment period, to settle their tax obligation for the month in which their tax obligation developed.

(7) Taxpayers who make specific deposit payments twice a month are obligated to pay such deposits by the last day of the month in which their tax obligation developed and to settle their tax obligation for that month by the 15th day of the month following the month in which the tax obligation was developed.

(8) For the first three months from the day their first tax obligation was developed, taxpayers shall make tax payments on a daily basis. The provisions of Section 13, Paragraph 2, remain unaffected.

(9) In the case of the import of selected products, the tax is paid in a lump sum. Taxpayers are obligated to settle their tax obligation within the time limit set by special regulation.<sup>20</sup>

### Section 15

(1) Taxpayers who engage in domestic production of selected products or export selected products from Czechoslovakia are obligated to register with financial organs according to their domicile at the latest by the time their first tax obligation develops.

(2) Additional special provisions pertaining to registration and the reporting obligation are listed in Section 30.

### Section 16

(1) If taxpayers have paid a tax which is lower than their tax obligation, the tax administrator will prescribe penalties of up to 100 percent of the tax owed. If taxpayers themselves determine this fact and if they notify the tax administrator of this fact without undue delay by the method listed in Section 13, Paragraph 4, the tax administrator will prescribe a penalty of 20 percent of the tax owed.

(2) If the tax or the deposit on the tax has not been paid on time, taxpayers are obligated to make a supplemental tax payment and pay penalties of 0.1 percent on the tax owed for every day of delay. This also applies in cases where taxpayers fail to pay penalties according to Paragraph 1 above on time.

(3) If taxpayers have not submitted a tax return on time, the financial organ assesses a penalty of 10 percent of the tax obligation for the taxation period to which the tax return pertains, but no less than Kcs5,000.

(4) If taxpayers fail to correctly fulfill their registration obligation or their reporting obligation and fail to do this on time according to Section 15, the financial organ shall assess a fine against them of up to Kcs1 million, but no less than Kcs5,000.

(5) The method of assessing penalties and fines and their assertion are stipulated in special regulations.

### Section 17 Tax Hearings

Hearings on tax matters are subject to the laws of the national councils on tax administration, as long as this law does not stipulate otherwise.

### PART TWO SPECIAL PROVISIONS CHAPTER I

#### Tax on Hydrocarbon Fuels and Lubricants Section 18 Taxpayers

The Administration of Federal Material Reserves is also a taxpayer as far as those hydrocarbon fuels and lubricants which it has the right to manage are concerned, with the exception of hydrocarbon fuels and lubricants intended for its own use.

### Section 19 Object of the Tax

(1) The tax applies to hydrocarbon fuels and lubricants (hereinafter referred to as "fuels and lubricants") which are understood to be, for purposes of this law, automotive gasoline, technical benzines, aviation fuels, motor fuels with the exception of bionaphtha, kerosene, automotive and aviation motor oils and transmission oils, plastic automotive lubricants, and liquefied and compressed gas used as a motor fuel, with the exception of biological gas.

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(2) Fuels and lubricants in a mixture with other substances are also subject to tax, but only with respect to their share in this mixture, with the exception of already previously taxed fuels and lubricants where this share does not exceed 15 percent by volume of the overall quantity of all substances contained in the mixture.

### Section 20 Development of a Tax Obligation

A tax obligation also develops on the day of release of untaxed fuels and lubricants by the Administration of Federal Material Reserves to other entities.

### Section 21 Tax Base

The base for the tax is the quantity of fuels and lubricants for which a tax obligation has developed according to Sections 5 and 20, expressed in metric tons of net weight. This does not apply to compressed gases used as motor fuels, for which the tax base is their quantity expressed in cubic meters at normal pressure and temperature.

### Section 22 Tax Rates

The tax rates are determined as follows:

Numerical Code of Nomenclature in Customs Rate Table	Text	Tax Rate
2710	Automotive gasolines and aviation fuels containing up to 0.013 gram/liter of lead	Kcs9,390/ton
	Automotive gasolines and aviation fuels containing more than 0.013 gram/liter of lead	Kcs10,800/ton
	Technical benzines	Kcs0/ton
	Diesel fuel (with exception of bionaphtha) and kerosene	Kcs8,250/ton
	Automotive and aviation motor oils and transmission oils and plastic automobile lubricants	Kcs0/ton
2711	Liquefied gases used as motor fuels, with exception of biological gas	Kcs2,370/ton
	Compressed gases used as motor fuels, with exception of biological gas	Kcs2/m <sup>3</sup>

### Section 23 Exemption From the Tax

(1) Fuels and lubricants used as motor fuels for public aviation passenger transportation and for the transportation of freight delivered by aviation corporations which are members of the International Aviation Transportation Association (IATA) are exempt from tax.

(2) Furthermore, tax exemption applies to fuels and lubricants which are released by a manufacturer into the custody of the Administration of Federal Material Reserves, with the exception of fuels and lubricants intended for that organization's own use.

(3) The Government of the Czech and Slovak Federal Republic empowers itself to use its decrees to determine, in the case of motor fuels, the method and magnitude of the paid tax which can be refunded in some cases.

### CHAPTER II Tax on Alcohol and Spirits

#### Section 24 Taxpayers

The Administration of Federal Material Reserves is also a taxpayer in the case of alcohol purchased in accordance with Section 29, Letter b).

### Section 25 Object of the Tax

(1) The object of the tax is alcohol.

(2) Alcohol is understood to be ethyl alcohol (ethanol) obtained as follows:

a) By distillation or by another type of separation from fermented sugar-containing solutions based on starch-bearing or sugar-bearing raw materials, cellulose, and other raw materials containing alcohol;

b) By synthetic methods.

(3) Alcohol is also considered to be a mixture of ethanol and other alcohols and substances, where the content of ethyl alcohol is no greater than 15 percent by volume of the entire quantity of all substances contained in the mixture. Alcoholized wines are not considered to be alcohol.

(4) The object of the tax is also ethanol contained in beverages, with the exception of beer according to Section 31 and wine according to Section 35, which contain more than 0.6 percent of alcohol by volume.

#### Section 26 Development of the Tax Obligation

The tax obligation also develops as of the day

- a) Alcohol, which is exempt from tax according to Section 29, Letter a), is released for other purposes;
- b) The determination is made that the standard norms of alcohol loss during manufacture and circulation of alcohol<sup>21</sup> have been exceeded;
- c) The determination is made that alcohol and spirits have been illegally removed from the production process, from the inventory, or during shipment;
- d) The determination is made that alcohol has been illegally regenerated;

e) Alcohol has been released from the material reserves under the jurisdiction of the Administration of Federal Material Reserves for other entities.

### Section 27 Tax Base

(1) The basis for the tax is the quantity of alcohol for which the tax obligation developed in accordance with Sections 5 and 26, expressed in specific units.

(2) A specific unit<sup>20</sup> is defined as one liter of absolute alcohol at a normal temperature of 20° Centigrade.

### Section 28 Tax Rates

The tax rates are determined as follows:

Numerical Code of Nomenclature in Customs Rate Table	Text	Tax Rate
2207	Alcohol	Kcs180/liter
	Synthetic alcohol, technically refined alcohol, refined alcohol which is especially denatured, anhydrous alcohol, especially denatured anhydrous alcohol, normally denatured alcohol, first-run alcohol, alcohol tailings	Kcs0/liter
2208	Distilled fruit products based on distillation performed by growers <sup>22</sup>	Kcs90/liter
	Spirits and distilled products	Kcs180/liter

### Section 29 Exemptions From the Tax

The following are also exempt from taxation:

- a) The use of alcohol according to Section 25, Paragraph 2, Letter a), as input material for products in the manufacture of foodstuffs, with the exception of selected products according to Section 1, cosmetic products and soap boiling products, ethylated ether, ethyl acetate, medicines, and pharmaceutical chemicals;
- b) The release of alcohol by the producer to the material reserves under the jurisdiction of the Administration of Federal Material Reserves;
- c) The loss of alcohol to the extent actually determined, but not to exceed the stipulated standard losses of alcohol during manufacture and circulation of alcohol;<sup>20</sup>
- d) samples taken by financial organs to compute the volume of alcohol production or inventory.

### Section 30 Obligation To Register and To Report

In addition to the duties listed in Section 15, taxpayers are obligated to report the initiation and anticipated termination of production to the appropriate financial organ at least 30 days ahead of time; the interruption or halting of production for unforeseen reasons is to be reported without delay.

### CHAPTER III Tax on Beer

#### Section 31 Object of the Tax

(1) For purposes of this law, beer is understood to be an alcoholic beverage containing more than 0.6 percent by volume of alcohol, developed as a result of the fermentation of wort and prepared on the basis of starch-containing or sugar-containing substances to which hops have been added.

(2) Wort is a solution of sugars, obtained from barley malt.

#### Section 32 Tax Base

The basis for the tax is the quantity of beer for which a tax obligation has developed according to Section 5, expressed in hectoliters.

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**Section 33  
Tax Rate**

The tax rate is determined as follows:

Numerical Code of Nomenclature in Customs Rate Table	Text	Tax Rate
2203	For beer with up to 10% alcohol content	Kcs154/hectoliter
	For beer with alcohol content ranging between 10% and 12% of original alcohol content	Kcs317/hectoliter
	For beer with more than 12% alcohol content	Kcs423/hectoliter

**CHAPTER IV  
Tax on Wine**
**Section 34  
Taxpayers**

Individuals, whose domestic production of wine does not exceed 300 liters per year are not considered to be taxpayers of the tax on domestically produced wine.

**Section 35  
Object of the Tax**

(1) For purposes of this law, the following are the objects of taxation:

a) Wines made from grapes, that is to say, beverages produced as a result of the alcoholic fermentation of grape must, either completely or partially, without regard as to whether such wines are fortified with carbon dioxide, with the exception of Tokay wines;

b) Tokay wines;

c) Sparkling wines, that is to say, beverages produced as a result of controlled secondary fermentation of wines

or musts which, when corked, achieve an overpressure of at least 0.3 megapond atmospheres [MPa];

d) Dessert wines and dessert spiced wines, that is to say, beverages produced from wine grapes with an additive of refined sugar or concentrated must, finely refined alcohol or wine distillate, or possibly spices;

e) Fruit wines, mead, malt wines, and other beverages produced as a result of alcoholic fermentation.

(2) For purposes of this law, beverages produced as a result of alcoholic fermentation of diluted grape must, of extract of wine marc, or possibly from diluted yeast slurries are also considered to be wines made from grapes.

**Section 36  
Tax Base**

The basis for the tax is the quantity of wine for which a tax obligation has developed in accordance with Section 5, expressed in liters.

**Section 37  
Tax Rates**

The tax rates are determined as follows:

Numerical Code of Nomenclature in Customs Rate Table	Text	Tax Rate
2204	Wines made from grapes according to Section 35, Paragraph 1, Letter a), and Paragraph 2	
	Tokay-type wines according to Section 35, Paragraph 1, Letter b)	Kcs0/liter
	Sparkling wines according to Section 35, Paragraph 1, Letter c)	Kcs23.30/liter
2205	Dessert and dessert spiced wines according to Section 35, Paragraph 1, Letter d)	Kcs16.30/liter
2206	Remaining beverages as outlined in Section 35, Paragraph 1, Letter e)	Kcs5/liter

**CHAPTER V  
Tax on Tobacco Products**

and cutty pipe tobacco, cigarette tobacco, snuff, and chewing tobacco.

**Section 38  
Object of the Tax**

(1) The objects of the tax are tobacco products.

(2) For purposes of this law, the following are considered to be tobacco products: cigarettes, cigarillos, cigars, pipe

**Section 39  
Tax Base**

The basis for the tax is the quantity of tobacco products for which a tax obligation is developed according to

Section 5, expressed in units (in the case of cigarettes, cigars, and cigarillos) or in kilograms (in the case of tobaccos).

**Section 40  
Tax Rates**

The tax rates are determined as follows:

Numerical Code of Nomenclature in Customs Rate Table	Text	Tax Rate
2402	Filter cigarettes longer than 70 mm	Kcs0.46 each
	Cigarettes and filter cigarettes less than 70 mm	Kcs0.27 each
	Cigars and cigarillos	Kcs0 each
2403	Cutty pipe and pipe tobaccos, cigarette tobaccos, snuffs, and chewing tobaccos	Kcs35/kg

**PART THREE  
TEMPORARY AND CONCLUDING PROVISIONS**

**Section 41  
Temporary Provisions**

(1) Selected products released through 31 December 1992 and billed to the consumer after 1 January 1993 are considered to have been released in accordance with this law and are subject to the consumption tax.

(2) A legal entity or an individual, who paid sales tax<sup>23</sup> until 31 December 1992 and who has purchased selected products until 31 December 1992 at a price which did not include a sales tax is obligated to do the following with respect to selected products, with the exception of those selected products which are subject to the provisions of Section 8, Section 12, Paragraph 1, Letters b) through d), Section 23, Section 29, Letters a) and b), and with respect to selected products for which the stipulated tax rate is zero:

a) Conduct a physical inventory of his supplies as of 31 December 1992;

b) Recognize and pay the consumption tax according to Sections 13 and 14 on the inventoried supplies.

(3) A legal entity or a physical person listed in Paragraph 2 must recognize and pay the consumption tax according to Sections 13 and 14 at the latest during the third taxation period following 1 January 1993.

(4) To the extent to which the payers of the consumption tax purchased selected products prior to the effective date of this law, the provisions of Section 12, Paragraph 1, Letter a), do not apply to them.

(5) For the first three months following the effective date of this law, payers of the tax make payments on a daily basis, if their daily tax obligation is in excess of Kcs3,000. In the remaining cases, taxpayers pay the tax monthly. The provisions of Section 13, Paragraph 2, remain unaffected.

(6) In the case of claims based on defects which were asserted within the legal time limit and which pertain to selected products purchased by 31 December 1992, and whose legitimacy was recognized after 1 January 1993, the payers of the consumption tax are entitled to a

refunding of the tax according to Section 12, Paragraph 1, Letter d), only to the extent of the amount of sales tax paid.

**Section 42  
Effectivity of the Law**

This law becomes effective as of 1 January 1993.

**Footnotes**

1. Section 75 of Law No. 44/1974 Sb., Customs Law, as amended by subsequent regulations.
2. Section 78 of Law No. 44/1974 Sb.
3. CNR [Czech National Council] Law No. 531/1990 Sb. on territorial financial organs.
4. SNR [Slovak National Council] Law No. 84/1991 Sb. on customs organs, as amended by Law No. .../1992 Sb.
5. Section 8a of Law No. 44/1974 Sb.
6. Sections 409 through 475 of Law No. 513/1991 Sb., Commercial Code; Sections 588 through 630 of Law No. 401/1964 Sb., Civil Code, as amended by subsequent regulations (for the complete text, see Law No. 47/1992 Sb.).
7. Sections 115 through 117 of Law No. 40/1984 Sb., Civil Code, as amended by subsequent regulations.
8. Section 2 of Law No. 513/1991 Sb., Commercial Code.
9. Section 48 of Law No. 44/1974 Sb.
10. Section 44 of Law No. 44/1974 Sb.
11. Federal Ministry of Foreign Trade Decree No. 69/1980 Sb. exempting commercial goods which are imported and goods originating in developing countries from customs duties.
12. Government Decree No. 59/1948 Sb., which introduces the temporary validity of the General Agreement on Tariffs and Trade, dated 30 October 1947.
13. Law No. 30/1968 Sb. on the state testing facility, as amended by subsequent regulations (for complete text, see Law No. 84/1967 Sb.).

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14. Law No. 20/1966 Sb. on care for the health of the populace, as amended by subsequent regulations.
15. Section 66 of Law No. 44/1974 Sb.
16. Section 8 of Law No. 21/1971 Sb. on the uniform system of socioeconomic information.
17. Section 11 of Law No. 563/1991 Sb. on the accounting system.
18. Section 32, Paragraph 2, of Law No. 563/1991 Sb. on the accounting system.
19. Ministry of Foreign Affairs Decree No. 157/1964 Sb. on the Vienna Accords on Diplomatic Contacts; Ministry of Foreign Affairs Decree No. 21/1968 Sb. on the Agreement on the Privileges and Immunities Enjoyed by International Specialized Organizations; Ministry of Foreign Affairs Decree No. 32/1969 Sb. on the Vienna Accords on Consular Contacts; Ministry of Foreign Affairs Decree No. 40/1987 Sb. on the Agreement on Special Missions.
20. Section 48 of Law No. 44/1974 Sb.
21. Federal Ministry of Agriculture and Alimentation Decree No. 16/1972 Sb. on managing alcohol, as amended by the Federal Ministry of Economics Decree No. 66/1991 Sb.
22. Czech Socialist Republic Ministry of Agriculture and Alimentation Decree No. 76/1988 Sb. on growers making liquor from fruit; Slovak Socialist Republic Ministry of Agriculture and Alimentation Decree No. 245/1988 Sb. on growers making liquor from fruit.
23. Law No. 73/1952 Sb. on the sales tax, as amended by Law No. 107/1990 Sb.

### Law on Securities Market

*92CH0588B Prague HOSPODARSKE NOVINY  
in Czech 13 May 92 pp 23-24*

[“Text” of Securities Market Law passed by the Federal Assembly of the Czech and Slovak Federal Republic, dated 21 April 1992]

[Text] The Federal Assembly of the Czech and Slovak Federal Republic has agreed upon the following law:

### PART ONE

#### GENERAL PROVISIONS

##### Section 1

###### Securities Market

(1) The securities market is a legal entity entitled to organize the demand for and supply of securities at a certain location and during a certain time, through the services of authorized individuals.

(2) Trading in stocks and other securities connected with the right pertaining to property participation in business undertakings, the trading of obligation bonds, as well as of dividend and interest coupons, takes place in the securities market.

(3) The securities market is a corporation subject to the provisions of the Commercial Code,<sup>1</sup> with deviations listed in this law.

(4) A securities market may be established by a minimum of 10 founders.

(5) A securities market may not be established as a result of the public subscription to securities.<sup>2</sup>

(6) Entities other than securities exchanges, established in accordance with this law, may not use the designation securities market in their trading name or designation.

### Section 2

#### Authorization Pertaining to the Inception and the Discontinuation of a Securities Market

In order for a securities market to come into being, to break up, to merge or amalgamate with another securities market, as well as for its discontinuation without the appointment of a legal successor, permission from the Ministry of Finance of the Czech Republic or the Ministry of Finance of the Slovak Republic, whichever has jurisdiction in accordance with the location of the securities market, is required and is granted upon the request of the founders of such a market; in the event markets are combined or amalgamated and have seats in both republics, or in the event a market is broken up into markets with seats in both republics, such permission would involve agreement between both of the ministries concerned.

### Section 3

(1) The founders shall list the following information in their application for permission to establish a securities market:

- a) The trading name and seat of the market;
- b) A listing of the founders;
- c) The basic capitalization and the share in it of foreign capital;
- d) The material and personnel support involved.

(2) The application shall be accompanied by the founder's agreement, including a proposal of the statutes, a proposed set of market regulations, and a proposed set of regulations for the securities market arbitration court.

(3) In making its decision regarding the application in accordance with Paragraph 1 above, the Ministry of Finance of the Czech Republic or the Ministry of

Finance of the Slovak Republic will pay particular attention to the requirements of the financial market and to the appropriateness of the basic capitalization in relationship with the anticipated extent of market activities.

(4) The application for permission to discontinue a securities market must list the following:

- a) The trading name and seat of the market which is to be discontinued;
- b) If such discontinuation involves a breakup, an amalgamation, or a combination of the securities market with another market, the application shall contain a listing of the facts according to Paragraph 1 above regarding the legal successor of the discontinued market;
- c) The reasons for discontinuing the market.

(5) The application according to Paragraphs 1 and 4 above is decided upon within 60 days following the day of submission.<sup>3</sup>

#### Section 4

##### Securities Market Shares

(1) Shares in the securities market are made out in the name of the bearer and are transferable to other individuals only with the agreement of the market board of governors. The securities exchange is not permitted to issue preferred or employee shares.

(2) If the exchange board of governors disagrees with transferring of shares to another individual, the exchange is obligated to purchase such shares, but at a price no higher than their nominal value. To cover the purchase price, the exchange may use the resources of the reserve fund. The exchange is obligated to sell the acquired securities within three months of their acquisition and, if the securities are not sold within this time limit, the exchange is obligated to withdraw them from circulation and to reduce its basic capitalization by their nominal value.

(3) Foreign entities<sup>4</sup> and legal entities having a seat on the territory of the Czech and Slovak Federal Republic, in which the property participation of foreigners exceeds 50 percent of the basic capitalization, may acquire the securities of a securities market exchange, provided the overall nominal value of such securities does not exceed one-third of their basic capitalization.

#### PART TWO

##### ORGANS OF THE EXCHANGE

#### Section 5

The following are organs of the exchange:

- a) The general assembly of exchange stockholders;
- b) The exchange board of governors;
- c) The oversight council.

#### Section 6

##### General Assembly of Exchange Stockholders

(1) The general assembly of exchange stockholders (hereinafter referred to as "the general assembly") is the highest organ of the exchange.

(2) The activities of the general assembly can be participated in, in an advisory capacity, by exchange traders (Section 28) who are not stockholders of the exchange, by the secretary general of the exchange (Section 12) and by the exchange commissar (Section 32).

(3) The general assembly performs the following functions:

- a) It elects and recalls members of the board of governors, the oversight council, and sets the amount of remuneration for their activities;

- b) It approves the market regulations (Section 8, Paragraph 2), their changes, and other rules of exchange trading which are binding on its participants (hereinafter referred to as "exchange rules");

- c) It approves the types of remuneration for services rendered by the exchange and the principles for establishing their amounts and sets the method for settling these rewards;

- d) It approves the regulations governing the stock exchange arbitration court and any changes, including changes to the rate table for remuneration for proceedings before this court;

- e) It fulfills other functions of a general assembly of a corporation.<sup>5</sup>

(4) An exchange stockholder has voting rights at the general assembly, commensurate with the nominal value of his shares, but not to exceed 20 percent of the overall number of votes.

#### Section 7

##### Exchange Board of Governors

(1) The exchange board of governors is a statutory organ of the exchange.<sup>6</sup>

(2) The board of governors may have a maximum of 24 members.

(3) Members of the board of governors are elected by the general assembly, with at least one-half being elected from among the exchange stockholders and with at least one member being elected from among the exchange traders. Other members of the board of governors may be elected from among the ranks of specialists, financial investors, and other individuals. In the case of legal entities, the member of that entity's statutory organ who is authorized to act in the name of that legal entity is eligible for election.

(4) The term of office for members of the board of governors of the exchange may not exceed three years. It is possible to be elected repeatedly.

(5) The meetings of the exchange board of governors are directed by its chairman.

(6) The meetings of the exchange board of governors must be attended by at least one-half of the members of the board of governors. The board of governors makes its decisions by simple majority of the votes. In the case of a tie, the vote by the chairman is decisive. At least two-thirds of the members of the board of governors must be present for the election or recall of the chairman and deputy chairman, for discussing the proposed exchange regulations, the proposed regulations for the exchange arbitration court, and any changes in regulations and the decision must be approved by at least a two-thirds majority of the votes of the members present.

## Section 8

### Rights and Obligations of the Board of Governors

#### (1) The board of governors:

a) Makes sure that legal regulations, the exchange regulations, and the exchange rules are adhered to during exchange activities and that the interests of the participants in the financial market are protected;

b) Proposes, to the general assembly, the exchange regulations and the regulations governing the exchange arbitration court and their changes and determines the method for their publication;

c) Proposes, to the general assembly, those exchange rules which determine the methods, types, and implementation of exchange trading, the method and time limits for accomplishing trades, as well as procedure involved in failing to adhere to these methods and time limits, determines the method for keeping records of exchange trades and for the utilization of computer equipment in accomplishing these trades;

d) Nominates and recalls the secretary general of the securities exchange and the securities traders, publishes the selection proceedings which result in their nomination, and establishes qualification requirements;

e) Sets the amount of the enrollment fee and the commissions for brokering stock exchange trades by exchange traders;

f) Adopts measures the purpose of which is to prevent endangering the activities of the securities market or of the interests of its stockholders and the participants in the financial market; in particular, it makes changes in trading days and partially or completely halts exchange trading activities;

g) Decides on protests against the decisions of exchange committees which have to do with the authorization to trade on the securities exchange and deal with

the acceptance of securities for exchange trading, to the extent to which this authorization has been transferred to the exchange committees;

h) Makes decisions regarding protests against the published quotes on securities;

i) Approves the sale of securities market stocks;

j) Makes decisions regarding the acceptance of securities for exchange trading;

k) Publishes quotations of securities and data on the purchase and sale of securities on the exchange;

l) Grants and withdraws approval for the purchase and sale of securities;

m) Implements oversight over the activities of exchange traders by a method stipulated in the exchange regulations;

n) Imposes sanctions according to Section 31 of this law;

o) Handles the other activities having to do with managing exchange trading;

p) Handles the remaining activities listed in Section 11, Paragraph 1, Sections 12, 15, 16, Section 20, Paragraph 4, Section 21, Paragraph 4, Section 22, Paragraph 1, Section 23, and Section 30, Paragraph 1;

q) Fulfils other functions of a board of directors of a corporation.<sup>7</sup>

(2) The rights and obligations of the securities exchange board of governors are contained in detail in the exchange regulations and exchange rules.

## Section 9

### Chairman of the Board of Governors

(1) The board of governors elects and recalls a chairman and deputy chairman of the board of governors of the exchange from among its members. The deputy chairman of the exchange board of governors acts for the chairman of the exchange board of governors at the time of the latter's absence.

(2) The chairman of the exchange board of governors:

a) Directs the activities of the board of governors and signs its resolutions;

b) Submits to the general assembly for approval the proposed exchange regulations, exchange rules, and the regulations governing the exchange arbitration court and their changes;

c) Is authorized, in urgent cases, to adopt measures according to Section 8, Paragraph 1, Letter f), if it is not possible to convene the board of governors in sufficient time.

### Section 10

#### Oversight Council

- (1) The oversight council<sup>8</sup> does not engage in the control of individual exchange transactions.
- (2) The term of office of members of the oversight council may not be longer than three years. Repeated election is possible.
- (3) Employees of the stock exchange may not be represented on the oversight council.<sup>9</sup>

### Section 11

#### Exchange Committees

- (1) The board of governors may establish exchange committees to perform the functions listed in Section 8, Paragraph 1, Letters j) through m).
- (2) Exchange committees may be permanent or temporary in nature. The rules for the actions of exchange committees are contained in the exchange regulations.
- (3) Exchange committees are composed of members of the board of governors and other members from the ranks of specialists, financial investors, and other individuals. The chairman and members of exchange committees are nominated and recalled by the board of governors.

### Section 12

#### Secretary General of the Exchange

- (1) The secretary general of the stock exchange is appointed and recalled by the board of governors. The secretary general of the exchange is appointed on the basis of a selection proceeding.
- (2) The secretary general of the exchange is an employee of the exchange.
- (3) The secretary general:
  - a) Directs the activities of the exchange apparatus and the operations of the exchange; his rights and obligations are contained in the exchange regulations;
  - b) Participates in the meetings of the board of governors and of the exchange committees and has an advisory vote in these bodies;
  - c) Assesses fines in accordance with Section 31, Paragraph 4.

## PART THREE

### EXCHANGE TRANSACTIONS

#### Section 13

- (1) Exchange transactions involve the purchase and sale of securities on the exchange and for purposes of this law include the brokering of such purchases and sales by

authorized individuals. The time and location of exchange transactions are listed in the exchange regulations.

- (2) If the exchange makes use of only an automated system of trading, individual exchange transactions are considered to be those which are recorded in this system.
- (3) Participants in exchange transactions are persons listed in Section 14, Paragraphs 1 and 2, and stock exchange traders.

### Section 14

#### Authorization To Purchase and Sell Securities on the Exchange

- (1) Purchases and sales of securities on the exchange may be accomplished by individuals authorized to do so according to a special law<sup>10</sup> and who are:
  - a) Stockholders of the exchange or
  - b) Individuals whom the board of governors, at their request and following payment of an enrollment fee, have authorized to buy and sell securities on the exchange.
- (2) The State Bank of Czechoslovakia is also authorized to buy and sell securities.
- (3) Authorization to buy and sell securities may not be granted to a legal entity which has declared bankruptcy<sup>11</sup> or which has been authorized to settle bankruptcy or for which proposed bankruptcy was rejected for lack of adequate property and this prohibition shall stand for a period of five years following the conclusion of these proceedings; as well as to individuals who do not have an unimpeachable record.
- (4) For purposes of this law, an individual who has been legally sentenced for a criminal act of a property nature or for another deliberate criminal act is not considered to have an unimpeachable record.
- (5) Individuals who are not authorized to buy and sell securities may buy and sell securities on the exchange through individuals listed in Paragraph 1 or possibly in Paragraph 2.

### Section 15

- (1) A legal entity which is authorized to buy and sell securities shall appoint one or possibly more individuals who will buy and sell securities in its name (hereinafter referred to as a "broker").
- (2) A broker must have the necessary specialized qualifications to buy and sell securities and must have an unimpeachable record.

### Section 16

- (1) In the event a person authorized to buy and sell securities, or a person authorized by that person to do so, ceases fulfilling the conditions listed in Section 14,

Paragraphs 1 and 3, and in Section 15, the board of governors may temporarily or permanently lift that person's authorization to buy and sell securities on the exchange or can temporarily or permanently exclude that person from engaging in exchange transactions.

(2) The decisions by the board of governors according to Paragraph 1 above may be appealed by the individual involved with the appropriate court by petitioning the court to invalidate the decision within 15 days from the time the decision is received. Filing of the petition does not result in the decision being held in abeyance.

### **Section 17**

#### **Brokering of the Buying and Selling of Securities on the Exchange**

The brokering of the purchase and sale of securities among persons authorized to buy and sell securities can be accomplished only by exchange traders (Section 28), provided the exchange regulations do not stipulate otherwise.

### **Section 18**

#### **Rights and Obligations of Participants in Exchange Transactions**

Participants in exchange transactions are obligated to:

- a) Adhere to exchange regulations and exchange rules;
- b) Fulfill the obligations stemming from individual exchange transactions;
- c) Adopt the stipulated method of accounting for exchange transactions;
- d) Make a deposit payment to the account of the exchange to ensure their meeting of obligations and to cover any risks resulting from exchange transactions and the resulting accounting. The amount of the deposit is to be determined by the board of governors, taking into account the extent and risks involved in the exchange transactions;
- e) Submit an annual balance sheet to the board of governors, verified by an auditor.

### **Section 19**

Participants in exchange transactions may conclude extraexchange transactions involving securities accepted for trading on the exchange only to the extent to which this is permitted by the board of governors and must inform the exchange of that fact.

### **Section 20**

(1) All participants have the same rights in engaging in exchange transactions. The same information regarding facts which are important to the development of price quotations for securities must be accessible to all participants in exchange transactions.

(2) Participants in exchange transactions are not permitted to engage in exchange transactions aimed at damaging third parties.

(3) Individuals who, on the basis of their employment or position, have access to information regarding facts which could influence the quotations of some securities before that information is available to the other participants in exchange transactions may not conclude trades involving these securities, or utilize their information to the benefit of other individuals until such times as this information becomes generally known.

(4) The exchange board of governors shall determine, in its exchange rules, which individuals may not engage in exchange transactions involving selected securities in view of their employment or position.

(5) Participants in meetings of the exchange board of governors, its committees, exchange traders, employees of the securities exchange, and legal entities who engage in settling exchange transactions are obligated to maintain secrecy regarding any facts acquired as a result of their position which are of importance to the development of the financial market or which impact upon the interests of its individual participants. For purposes of civil or criminal proceedings, these individuals may be relieved of this requirement of secrecy by the chairman of the exchange board of governors.

## **PART FOUR**

### **ACCEPTANCE OF A SECURITY FOR EXCHANGE TRADING**

#### **Section 21**

(1) The acceptance of a security for exchange trading is decided upon by the exchange board of governors or by an authorized exchange committee, if one is set up.

(2) The exchange regulations establish the conditions for the acceptance of a security for exchange trading, which must be fulfilled by the issuer of the securities and by the securities issued by him.

(3) These conditions particularly establish the required minimum time during which the issuer has been in business, the amount of his basic capitalization, the obligatory distribution of securities among his stockholders, the size of the issue of securities, and its breakdown into individual nominal value units.

(4) On accepting a security for exchange trading, the board of governors shall decide whether this security is to be traded on the main securities exchange or in the secondary market of securities.

(5) Foreign securities can be traded on the exchange provided they were issued in conjunction with the legal regulations valid in the country of the issuer and provided they have been accepted by the board of governors for the purpose of exchange transactions.

**Section 22****Application To Have a Security Accepted for Exchange Trading**

(1) The issuing authority applies to have a security accepted for trading on the exchange. In its conditions for accepting a security for trading on the exchange, the board of governors shall decide when it is necessary to attach a prospectus, verified by a bank, to the application. The issuing authority is responsible for the accuracy of the prospectus.

(2) In the event the issuing authority of the security is a bank authorized to buy and sell securities, the application will be filed by the bank itself.

(3) The prospectus shall contain data on the activities of the issuing authority and on the issue of the security itself, particularly the following:

- a) The type of security involved;
  - b) The commercial prospects;
  - c) The overall volume of the issue and its breakdown into nominal value units;
  - d) The method of issue and the place at which the securities are available.
- (4) If the issuance of securities is to be accomplished only as a bookkeeping transaction,<sup>12</sup> the prospectus shall list the method of keeping records regarding the status and the movement of the security.
- (5) The prospectus must be published by a method determined in the exchange regulations.

**Section 23**

(1) The issuer of a security which has been accepted for exchange trading is obligated, according to the requirements of the board of governors, to publish information regarding the results of his management during the year, to publish his annual balance sheet, verified by an auditor, as well as a commentary on his financial situation.

(2) The issuer of a security accepted for exchange trading must immediately report to the board of governors, and according to their requirements, must publish any changes in his financial situation or any other facts which can result in a change of the price quoted for his security or which can have a negative impact on the abilities of the issuer to fulfill his obligations based on the issuance of the security.

**Section 24**

The provisions of this part do not apply to state bonds, which are accepted for exchange transactions without an application and without a prospectus.

**PART FIVE****DETERMINING THE PRICE OF SECURITIES AND SETTLING EXCHANGE TRANSACTIONS****Section 25**

(1) The price of a security at which trading takes place on an appropriate exchange day is determined by the exchange trader. If the exchange uses only an automated system of exchange transactions, the quoted price is computed by that system.

(2) A method for determining the quoted price of securities is contained in the exchange regulations.

(3) The quoted prices of securities are proclaimed at the seat of the exchange and, at the conclusion of the exchange day, are published in the exchange list of quotations.

**Section 26**

(1) The proclamation of quoted prices for securities can be protested to the board of governors within three days from the day following their proclamation. This protest is decided upon with final validity by the board of governors within three days of receiving it. The protest does not have a delaying effect. If the board of governors fails to make a decision within this time limit, the protest is assumed to have been accepted.

(2) Decisions on protests are not subject to administrative proceedings.

**Section 27****Settlement of Individual Exchange Transactions**

(1) The settlement of individual exchange transactions through the form of mutual accounting, deposit, delivery of, or withdrawal of securities is handled by a bank or possibly by another legal entity on the basis of a contract concluded with the board of governors of the exchange.

(2) This legal entity must not engage in exchange transactions. It is obligated to submit to the board of governors and to the exchange commissar any information on concluded exchange transactions and their settlement, upon request.

**PART SIX****EXCHANGE TRADERS****Section 28**

(1) An exchange trader is a broker of the purchase and sale of securities among individuals authorized to buy and sell securities.

(2) The board of governors appoints and recalls exchange traders on the basis of a selection proceeding. An exchange trader is not an employee of the securities exchange.

## (3) An exchange trader:

- a) Brokers the purchase and sale of securities assigned to him by the board of governors;
- b) Determines the quoted price of the allocated securities;
- c) Maintains a diary of individual exchange transactions into which he makes sequential entries of transactions brokered on the appropriate exchange day, lists the other participants in the exchange transactions, lists the issuers of the securities involved, the quoted prices of the securities at which the exchange transactions were accomplished, the types of transactions, as well as their possible cancellation or possible renunciation of an exchange transaction. The diary of exchange transactions includes even the refusal to broker a transaction according to Letter f) below. The diary of exchange transactions may be replaced by printouts from the automated system, certified by the exchange trader;
- d) May not engage in individual exchange transactions for his own account and in his own name, nor in his own name for another account and he may not take over guarantees for the fulfillment of exchange transactions which he is brokering. An exception are exchange transactions which the trader concludes temporarily in his own name in order to fulfill the orders of his clients and he may do so, at a maximum, for a period of three days;
- e) Is obligated, in his activities, to act honorably and with initiative in the interest of the participants of the exchange transaction and the financial market;
- f) Is prohibited from concluding exchange transactions if he has a reasonable suspicion that a participant in an exchange transaction is not proceeding honorably or is insolvent;
- g) May not be a member of the exchange oversight council, its apparatus, nor an arbiter nor an employer of the exchange arbitration court;
- h) May not be a proxy, a member of a statutory or oversight organ of an entity authorized to buy and sell securities on the exchange.
- (4) Upon conclusion of an exchange transaction, the exchange trader presents the other participants with a balance sheet in which he confirms the agreed-upon conditions of the exchange transaction. The confirmation can be replaced by a printout from the automated system containing the necessary data on the concluded exchange transaction, verified by the exchange trader.
- (5) The exchange trader is obligated to be present on exchange days at the exchange for the entire period of official trading time and must personally participate in exchange transactions. In the event he is not present, he will make sure that his affairs are handled by another exchange trader.

(6) An exchange trader is entitled to remuneration for brokering exchange transactions as soon as he delivers the confirmation lists.

(7) The other participants pay equal shares of the remuneration for brokering an exchange transaction, as long as nothing else has been agreed upon.

## PART SEVEN

## DISPUTES ARISING FROM EXCHANGE TRANSACTIONS

## Section 29

(1) Disputes arising from exchange transactions are decided upon by the appropriate court, as long as the parties do not agree in a written contract that disputes are to be handled by the exchange arbitration court.

(2) In disputes arising from exchange transactions, the objection that only a wager or a game was involved is not permissible.

## Section 30

## Exchange Arbitration Court

(1) The exchange arbitration court is established by the board of governors for purposes of deciding on disputes arising from exchange transactions concluded on the exchange.

(2) If the participants in an exchange transaction agree upon the authority of the exchange arbitration court (Section 29, Paragraph 1), then it is equally true that they have subordinated themselves to its regulations which were valid at the time they submitted the proposal for initiating the proceeding.

(3) The rights based on an exchange transaction must be asserted before the exchange arbitration court within seven days of the day on which the exchange transaction was or was to be accomplished. Any rights not asserted within this time period are extinguished.

(4) The exchange arbitration court rules on the substance of a case by means of an arbitration decision which is final and enforceable.

(5) The composition of the exchange arbitration court and the rules for handling proceedings before it are contained in the regulations covering the exchange arbitration court, part of which also includes the table of remunerations for proceedings before the court.

(6) An arbiter can only be a person who is registered in the listing of arbiters which is approved by the board of governors.

## PART EIGHT

### SANCTIONS

#### Section 31

(1) The board of governors may assess sanctions against participants of exchange transactions and against the issuers of securities accepted for trading on the exchange who

- a) Violate the provisions of this law;
- b) Violate the obligations imposed by the exchange regulations and exchange rules;
- c) Deliberately disseminate false information which has influenced or could influence the quoted prices of securities with the intent of inflicting damage on the participants of the financial market.

(2) For actions listed under Paragraph 1 above, the board of governors can, depending on the severity of the violation:

- a) Issue a reprimand;
- b) Notify the other participants in the exchange transaction of the violation of obligations;
- c) Assess a fine of 50,000 korunas [Kcs] or, possibly, the forfeiture of the deposit (Section 18, Letter d));
- d) Temporarily or permanently withdraw the authorization to buy and sell securities from the participant in the securities market transaction or either temporarily or permanently exclude the participant or his plenipotentiary from engaging in exchange transactions;
- e) Recall the offending exchange trader;
- f) Temporarily or permanently exclude the security involved from being traded on the exchange.

(3) Sanctions as outlined in Paragraph 2 can be assessed within one month from the day the board of governors learned of the fact which is decisive with respect to the assessment of sanctions, but no later than six months following the day the violation occurred.

(4) The secretary general of the exchange may assess a fine against an individual who violates the exchange regulations in the amount stipulated in the exchange regulations.

(5) Monetary sanctions according to Paragraph 2, Letter c), and Paragraph 5 are considered to be revenue for the exchange.

## PART NINE

### STATE SUPERVISION

#### Section 32

(1) The activities of the exchange are subject to state supervision.

(2) State supervision of exchange activities is implemented by the Ministry of Finance of the Czech Republic or the Ministry of Finance of the Slovak Republic through the office of an exchange commissar who is fully represented by his deputy in the event of his absence. The function of exchange commissar is incompatible with membership on the board of governors and on the oversight council of the exchange.

(3) The exchange commissar and his deputy are appointed and recalled by the minister of finance of the Czech Republic or the minister of finance of the Slovak Republic.

(4) In the execution of state supervision, the exchange commissar is authorized to:

- a) Oversee exchange transactions from the standpoint of adherence to legal regulations, to the exchange regulations and exchange rules, as well as from the standpoint of the requirements of the financial market;
- b) Report to the board of governors on the ascertainment of facts for purposes of asserting sanctions according to Section 31;
- c) Personally or through individuals authorized by him, check on the activities of exchange traders as they pertain to their exchange and extraexchange transactions involving securities;
- d) Attend meetings of the board of governors, having the right to temporarily halt the implementation of its decisions to the extent to which they are in conflict with legal regulations, with the exchange regulations or exchange rules. The implementation of decisions by the board of governors can be delayed by the exchange commissar at most for a period of seven days, by which time the Ministry of Finance of the Czech Republic or the Ministry of Finance of the Slovak Republic shall decide the matter with final validity;

(e) Demand that the board of governors eliminate any ascertained shortcomings within the stipulated time;

(f) Require the organs of the exchange, legal entities engaged in the settlement of exchange transactions, and exchange traders to provide information, accounting documents, and other documents having to do with their exchange and extraexchange trades of securities.

(5) Expenditures connected with checking on the activities of exchange traders are to be defrayed by those traders.

#### Section 33

(1) The minister of finance of the Czech Republic or the minister of finance of the Slovak Republic is entitled, upon the proposal of the exchange commissar, to strip the exchange board of governors of its authorization listed in this case in a special law,<sup>13</sup> if it is seriously violating legal regulations, the exchange regulations, or exchange rules and if there is a danger that losses will

occur as a result of delay. In such a case, the minister shall appoint a plenipotentiary who is entrusted with acting in the name of the securities exchange and with directing the exchange until such times as the general assembly elects a new board of governors.

(2) A plenipotentiary as outlined in Paragraph 1 above can only be an individual who is qualified professionally. The plenipotentiary is registered in the Commercial Register and the act of registration transfers to the plenipotentiary the rights and obligations of the exchange board of governors. He is obligated to convene a general assembly to elect a new board of governors; the election must be held within three months from the date the plenipotentiary registers in the Commercial Register. This board of governors will then submit a proposal to have the name of the plenipotentiary expunged from the Commercial Register.

(3) The minister of finance of the Czech Republic or the minister of finance of the Slovak Republic is authorized, on a temporary basis, to halt exchange transactions if no other way can be found to prevent great economic damage.

(4) The board of governors may appeal the decision of the minister of finance of the Czech Republic or the minister of finance of the Slovak Republic according to Paragraphs 1 and 3 to the Supreme Court of the Czech Republic or the Supreme Court of the Slovak Republic<sup>14</sup> within seven days of receiving the decision. The submission of the proposal does not have a delaying effect.

## PART TEN

### CONCLUDING PROVISION

#### Section 34

This law becomes effective on the day of its proclamation.

#### Footnotes

1. Sections 154 through 220 of Law No. 513/1991 Sb., Commercial Code.
2. Section 164 and subsequent sections of the Commercial Code.
3. Law No. 71/1967 Sb. on administrative proceedings (Administrative Code).
4. Section 21, Paragraph 2, of the Commercial Code.
5. Section 187 of the Commercial Code.
6. Sections 13 and 191 of the Commercial Code.
7. Section 191 and subsequent sections of the Commercial Code.
8. Section 197 and subsequent sections of the Commercial Code.
9. Section 200 of the Commercial Code.
10. For example, Section 1, Paragraph 3, of Law No. 21/1992 Sb. on banks.
11. Section 4 of Law No. 328/1991 Sb. on bankruptcy and the settlement of bankruptcies.
12. Section 1, Paragraph 5, of Law No. 530/1990 Sb. on bonds.
13. Section 191 and subsequent sections of the Commercial Code; Sections 224 through 246c and Section 2501 and subsequent sections of Law No. 99/1963 Sb., Civil Code, as amended by subsequent regulations; for full text, see Law No. 70/1992 Sb.
14. Sections 224 through 250 of the Civil Code.

**Amendment to Decree on State Enterprise Property Transfer**

92CH0623A Budapest MAGYAR KOZLONY  
in Hungarian No 43, 28 Apr 92 p 1,502

[“Text” of Government Decree No. 72 of 28 April 1992 amending Council of Ministers Decree No. 33 of 31 October 1984 implementing Law No. 6 of 1977 concerning state enterprises]

[Text] Based on authority granted in Paragraph 53 Section (2) of Law No. 6 of 1977 concerning state enterprises, Council of Ministers Decree No. 33 of 31 October 1984 (hereinafter: Decree) is hereby amended as follows:

**Paragraph 1.**

Paragraph 32 Sections (3) and (4) shall be amended by replacing the existing text and by adding Sections (5) and (6) as follows:

(3) The founding organ may:

(a) Reallocate certain assets of enterprises under state administrative supervision to other enterprises under state administrative supervision in order to achieve a significant change (modernization) in the production structure and to improve the public supply of consumer goods (services), or it may

(b) Withdraw such assets and allocate these to a foundation within the [economic] branch to which the enterprise belongs.

(4) No reorganization or reallocation of assets, or withdrawal of assets authorized in Sections (1) and (3), shall take place if such action threatens the solvency of the affected enterprise.

(5) The advance concurrence of the finance minister and, if the founding organ is not the minister responsible for the [economic] branch involved, of the minister responsible for the economic branch shall be required with respect to the founders' decision specified in Sections (1) and (3). In the event that the enterprise is indebted to a bank, the opinion of the lending financial institution shall be obtained before reallocating assets.

(6) The enterprise or foundation acquiring dispositional or ownership rights regarding the assets shall guarantee the indebtedness existing at the time of withdrawal to the extent to which the unit has been reorganized or the assets have been withdrawn, or in proportion to the withdrawal.

**Paragraph 2.**

This decree shall take effect on the day of its proclamation; simultaneously, Paragraph 32 Section (2) of the Decree shall lose force.

[Signed] Dr. Jozsef Antall, prime minister

**Decree on Regional Prefects' Duties, Authority**

92CH0623B Budapest MAGYAR KOZLONY  
in Hungarian No 44, 30 Apr 92 pp 1,583-1,585

[“Text” of Government Decree No. 77 of 30 April 1992 concerning the functions of the Republic's regional prefects]

[Text] Regarding the performance of functions specified in Paragraph 95 Sections (a) and (d), and Paragraph 98 Section (d) of Law No. 65 of 1990 concerning local autonomous governmental bodies, and in Paragraph 9 of Law No. 90 of 1990 concerning the legal authority, office, and certain functions of the Republic's regional prefect [hereinafter: regional prefect], the government orders the following:

**Paragraph 1.**

(1) Upon request by the regional prefect, the clerk or chief clerk (hereinafter: clerk) of a local autonomous government body [hereinafter: local government] shall, by the date specified, submit any document and other information required to ascertain the legality of decisions made by and the functioning of a local government.

(2) To enable the regional prefect to perform his function of ascertaining the legality of action, local government clerks shall submit to the regional prefect any resolution, internal rule for implementing legal provisions, and other decisions concerning local government affairs made [brought or established] by a committee of the local legislative body, and by the mayor under authority delegated to him by the legislature, within 15 days from the date of such decisions.

(3) Section (2) shall not apply to resolutions related to matters pertaining to local government authority.

**Paragraph 2.** If in the course ascertaining the legality of action the regional prefect discovers illegal action, he shall call upon the respective legislative body—preferably within 60 days from date of receipt of the report containing the decree—to discontinue the illegal condition and establish a deadline for terminating the illegal condition.

**Paragraph 3.** The regional prefect shall have the following authority to perform his function relative to organs performing state administrative functions. The regional prefect may:

(a) Request information and the submission of documents;

(b) Obtain information on the scene, subject to advance notice; and

(c) Convene a coordinating conference.

**Paragraph 4.** The regional prefect shall take part in modernizing official activities under the jurisdiction of the minister of the interior, in further developing the operations of organs charged with the performance of

state administrative functions, and in formulating a system in which these organs relate to each other.

**Paragraph 5.** With respect to organs performing state administrative functions or exercising state administrative authority within the regional prefect's jurisdiction, the regional prefect shall:

(a) Comment on internal rules, directives and other decisions of general applicability related to the administrative management of authorities; and

(b) Analyze the conditions for performing state administrative functions; the regional prefect may also recommend necessary action.

#### **Paragraph 6.**

(1) The regional prefect shall, within the area of his jurisdiction, coordinate client services provided by state administrative organs subordinate to the central [government], as well as training and continued education for professional public administrators.

(2) To implement the provisions of Section (1), the regional prefect shall comment on:

(a) Decisions regarding the time period during which clients are received; and

(b) The training and continued education plan.

(3) The regional prefect shall monitor the performance of the activities of state administrative organs subordinate to the central [government], as specified in Section (1). If, in the course of performing this function, the regional prefect discovers a lack of plans or rules, deviations from rules and regulations or violations of law, he shall:

(a) Call upon the head of the organ to make the required decision or to review the decision objected to; and

(b) Initiate action by superior organs to suspend action implementing the decision and to take appropriate steps if the head of the organ has failed to annul or change the decision.

#### **Paragraph 7.**

(1) The regional prefect may initiate an audit of a state administrative organ subordinate to the central government by a superior organ if:

(a) The activity of the organ is inconsistent with law, as indicated by local governmental bodies or other organs; and if

(b) The regional prefect has noted consistent failure to act or illegal practices in the organ's activities, in other proceedings before him.

(2) The regional prefect shall inform the prosecutor having jurisdiction relative to findings specified in Section (1) Subsection (b).

#### **Paragraph 8.**

(1) In preliminary comments regarding determinations as to the area of jurisdiction of a state administrative organs subordinate to the central [government], the regional prefect shall, in particular, consider the following:

(a) The area of jurisdiction of other state administrative organs subordinate to the central government already functioning within his area of jurisdiction; as well as

(b) The interests of individuals from the standpoint of the official administration of their affairs.

(2) In due regard to the provisions of Section (1), the regional prefect shall comment on, and may recommend the designation of the area offices of state administrative organs subordinate to the central government, the area of jurisdiction of client offices, and the headquarters location of the organ.

(3) In the event that the conditions described in Section (1) change greatly, the regional prefect shall initiate a review of the area of jurisdiction.

#### **Paragraph 9.**

(1) The regional prefect's views shall be sought prior to terminating a local organ of a state administrative organ subordinate to the central [government] operating within his area of jurisdiction.

(2) In his comments the regional prefect shall state whether the termination of a local organ of a state administrative organ subordinate to the central government renders significantly more difficult the performance of state administrative functions, the administration of the affairs of individuals, and the exercise of other organs' authority.

**Paragraph 10.** Within his area of jurisdiction the regional prefect shall streamline the auditing activities of state administrative organs regarding the state administrative activities performed by the mayor (lord mayor), the municipal clerk, the manager of the office of the legislative body, and the heads of district offices of cities exercising the authority of counties.

#### **Paragraph 11.**

(1) Each year, on the 5th day of December, organs having authority to audit the activities defined in Paragraph 10 shall submit to the regional prefect the names of organs scheduled for audits within the area of jurisdiction, the purposes and subjects of the audits, and a program plan showing the starting date and the expected duration of the audits.

(2) Based on the program plans, the regional prefect shall establish a regional audit program each year on the 31st day of December, and shall forward the same to the organs having jurisdiction.

**Paragraph 12.**

(1) In establishing a regional audit program, the regional prefect, jointly with the organs performing the audits, shall streamline the timely performance of audit tasks and other, regularly recurring audits.

(2) The regional prefect may request the organs responsible for audits to jointly perform comprehensive audits, and audits of related subjects.

**Paragraph 13.** The organs referred to in Paragraph 11, along with the mayor of the affected local government, shall provide written notice to the regional prefect concerning the commencement of an audit, and, upon request by the regional prefect, shall forward to him the audit record following the conclusion of the audit.

**Paragraph 14.**

(1) In the event that several state administrative organs have jurisdiction over mitigating the effects of a condition that causes damage or presents a threat that cannot be averted (acts of God, threat of contagious disease, industrial accident, mass escape, etc.), the regional prefect shall streamline the activities of these organs within the area of his jurisdiction.

(2) Based on Section (1), the regional prefect may:

- (a) Convene an area-wide coordination committee with the participation of the organs involved; and
- (b) Call upon the organs involved to take appropriate action to take necessary action to prevent or avert disasters within their functional authority and jurisdiction.

**Paragraph 15.** The regional prefect shall take part in performing regional coordination functions relative to the interior minister's settlement development activities within his area of jurisdiction, and in the implementation of the government's regional programs. In the course of such activities, the regional prefect may arrange for mediation among the professions regarding the preparation and implementation of economic branch development programs affecting local government, with the participation of local government, local government interest groups, and other business organizations.

**Paragraph 16.** At the request of a local government, the regional prefect:

- (a) Shall provide professional assistance regarding associations and the establishment of joint institutions;
- (b) May convene meetings to resolve disputed issues; and
- (c) May assist in finding a method by which to achieve an established goal.

**Paragraph 17.** Within his area of jurisdiction, relative to the training and continued education of public administration professionals the regional prefect:

(a) Shall take part in organizing training and continued education programs which fall under the jurisdiction of the minister of the interior; and

(b) May, within his own functional scope, organize continued education for local governments based on voluntary participation.

**Paragraph 18.** The regional prefect shall take part in:

(a) Performing the interior minister's functions relative to refugees; and

(b) The management of funds delegated under the authority of the interior minister by separate law.

**Paragraph 19.** The regional prefect shall submit recommendations to the minister of the interior for the introduction of legislative proposals concerning the dissolution of local legislative bodies operating in a manner repugnant to the Constitution.

**Paragraph 20.** The regional prefect shall comment regarding the existence of legally required conditions. Such comment shall be submitted as part of establishing foundations for decisions concerning regional organizations under the jurisdiction of the minister of the interior.

## CLOSING PROVISIONS

**Paragraph 21.** If the area of jurisdiction of the organ performing state administrative functions falls within the area of jurisdiction of several regional prefects, the authorities granted to such state administrative organs shall be exercised by the regional prefect having jurisdiction at the headquarters of the state administrative organ, in consultation with the rest of the regional prefects involved.

**Paragraph 22.**

(1) In the context of this law, an organ performing state administrative functions shall mean state administrative organs, as well as other organs authorized by law or government decree to perform state administrative functions, but not including a ministry or an organ having nationwide jurisdiction.

(2) This decree shall not apply to the armed forces, the police, the national security services, as well as to the customs and revenue services.

**Paragraph 23.** This decree shall take force on the 30th day following its promulgation.

[Signed] Dr. Jozsef Antall, prime minister

23 June 1992

**POLAND****Law on Income Tax for Foreign Individuals, Entities**

*92EP0429A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 14 Apr 92 p III*

[“Text” of law on income taxes for foreign individuals and legal entities; also published in DZIENNIK USTAW in Polish No 32, 13 April 1992]

[Text] *The Executive Order of 3 April 1992 of the minister of finance, which will be published in DZIENNIK USTAW, No. 32, on 13 April, and take effect on that date as well. Below is its complete text:*

**Concerning the Income Tax on Certain Kinds of Income of Foreign Individuals and Legal Entities Domiciled or Headquartered Abroad**

Pursuant to Article 9, Points 1) and 2); Article 11, Paragraph 2; Article 18, Paragraph 3; and Article 38, Point 2) of the Law of 19 December 1980 on Tax Obligations (DZIENNIK USTAW [Dz.U.] No. 27, Item 111, 1980; No. 45, Item 289, 1982; No. 52, Item 268, 1984; No. 12, Item 50, 1985; No. 41, Item 325, 1988; No. 4, Item 23, No. 33, Item 176; No. 35, Item 192, and No. 74, Item 443, 1989; No. 34, Item 198, 1990; No. 100, Item 422, and No. 110, Item 475, 1991; and No. 21, Item 86, 1992), the following is hereby ordered:

Paragraph 1.1. This Executive Order regulates the procedure for levying the income tax on certain kinds of income derived on the territory of the Republic of Poland by individuals and legal entities domiciled or having their seat abroad, hereinafter referred to as “foreign nationals.”

1.2. The provisions of this Executive Order do not apply:

1) If an international agreement to prevent double taxation, to which the Republic of Poland is a party, specifies otherwise.

2) To incomes of foreign nationals derived from business activities pursued under the regulations governing the conduct of small-industry operations on the territory of the Republic of Poland.

Paragraph 2.1. The income tax for foreign nationals is collected in lump-sum form from:

1) Incomes from fees charged for the exportation of cargo and conveyance of passengers embarking at Polish ports by foreign merchant shipping lines, with the exception of transit cargo and passengers—in the amount of 10 percent of these incomes.

2) Incomes derived in the Republic of Poland by foreign airlines—in the amount of 10 percent of these incomes.

3) Incomes derived from artistic, entertainment, or sports spectacles and activities performed by foreign

enterprises and organized by Polish artistic, entertainment, or sports enterprises—in the amount of 20 percent of the fees due for services rendered.

4) Incomes from interest on loans—in the amount of 20 percent of these incomes.

2.2. The incomes from the sources referred to in Subparagraph 1, Points 1) and 2) are tax-exempt if they are subject to taxes of the same kind in another country, and if that country follows the rules of reciprocity as regards taxing similar incomes derived in that country by persons or legal entities domiciled or headquartered in the Republic of Poland.

Paragraph 3.1. The withholding lump-sum income taxes on the incomes referred to in Paragraph 2, Subparagraph 1, is a duty of the legal entities acting as payers, organizational units lacking legal entity, and private proprietors, when making the disbursements covered by Paragraph 2, Subparagraph 1, and every time when making such disbursements.

3.2. The payers transmit the withheld tax to the cashier's office or bank account of the Treasury office with local jurisdiction as specified in separate regulations, by the seventh day of each month for the preceding month while at the same time submitting records specifying the identity of the taxpayer, the nature and amount of the encumbrance paid, and the amount of the tax collected.

3.3. If the incomes referred to in Paragraph 2, Subparagraph 1, Point 1), are derived from foreign nationals, foreign merchant line shipping enterprises are obligated, prior to the sailing of the ship from a Polish seaport, to transmit to the local Treasury office proper for the office of the Maritime Agency a declaration on the amount of receipts for the conveyance of cargo and passengers embarking at the Polish seaport and to deposit the tax due in the account of that Treasury office. The foreign merchant line shipping enterprise is obligated to transmit a copy of the declaration and a proof of tax payment to the proper local office of the Maritime Agency. If, however, prior to the departure of a ship from a Polish seaport, it is not possible to determine the receipts for the conveyance of cargo and passengers, the foreign merchant line shipping enterprise is obligated to make an advance tax payment consonant with the anticipated receipts, and subsequently, within 60 days from the departure from the seaport, to transmit, through the mediation of the Maritime Agency, final data on the receipts for the conveyance of cargo and passengers and pay the difference between the advance tax payments made and the actual tax due.

Paragraph 4.1. In the event of the circumstances referred to in Article 25 of the Law of 26 July 1991 on the Personal Income Tax (Dz.U., No. 80, Item 350, and No. 100, Item 442, 1991; and No. 21, Item 86, 1992), or in Article 11 of the Law of 15 February 1992 on the Income Tax Payable by Legal Entities and on Amendments to Certain Laws Regulating the Principles of Taxation (Dz.U., No. 21, Item 86), or when determining income

on the basis of bookkeeping records is not feasible, income is estimated by using the indicator of profit in relation to income, in the amount of:

- 1) Five percent, for foreign trade operations;
- 2) Ten percent, from construction and installation operations;
- 3) Sixty percent, from commissions;
- 4) Twenty percent, from other activities.

4.2. If the foreign national proves that, as ensuing from the bookkeeping records, its profits from income-earning activities abroad and on the territory of the Republic of Poland are below the proportions determined in Subparagraph 1, its income is determined on assuming the share of profits to be not lower than:

- 1) Three percent, from foreign trade operations;
- 2) Six percent, from construction and installation operations;

- 3) Forty percent, from commissions;
- 4) Twelve percent, from other activities.

4.3. The foreign trade operations referred to in Subparagraph 1, Point 1), performed by foreign nationals on the territory of the Republic of Poland, are considered to be sales of goods to Polish customers irrespective of the place at which the contract was signed, if these foreign nationals maintain offices or outlets on the territory of the Republic of Poland under a permit granted by the minister for foreign economic cooperation or by another proper minister of state (or director of a central agency).

Paragraph 5. The Executive Order of the Minister of Finance of 13 February 1992 on the Guidelines for the Taxation of Certain Foreign Individuals and Legal Entities (Dz.U., No. 6, Item 46, 1992; No. 38, Item 182, 1985; No. 26, Item 147, 1987; and No. 60, Item 348, 1990) is hereby revoked.

Paragraph 6. The present Executive Order takes effect on the day of its publication.

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